



King Sabata Dalindyebo Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2021

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## General Information

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### Nature of business and principal activities

King Sabata Dalindyebo Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no. 117 of 1998).

### Mayoral committee

Executive Mayor

Cllr G N Nelani

Speaker

Cllr T G Maqoko

Chief Whip

Cllr M Nyoka

Members of the Mayoral Committee

Cllr N R Gcingca

Cllr Z Nokayi

Cllr N Sibeko

Cllr Z Madyibi

Cllr L N Ntlonze

Cllr M T Mtirara

Cllr T Machaea

Cllr T E Mapekula

Cllr Z Gana

### Councillors

Cllr J Voko

Cllr Z D Kutu

Cllr M Mabaso

Cllr S Jadiso

Cllr V N S Roji

Cllr M Menzelwa

Cllr M Qotyana

Cllr Z Luvantyu

Cllr N Mkontwana

Cllr Z M Gusana

Cllr T Mcimbi

Cllr C S Tokwana

Cllr U Daniso

Cllr N Diblokwe

Cllr O Khotso

Cllr M Mrwebi

Cllr M J Msakeni

Cllr E M Fileyo

Cllr Z Ntliziyombi

Cllr S Mhlaba

Cllr A Ndzendze

Cllr M Marasha

Cllr B Bikani

Cllr X M Mbongwana

Cllr M Mkhotheli

Cllr L Mkonto

Cllr S Sikrenya

Cllr M D Teti

Cllr L D Liwani

Cllr B D Bara

Cllr N Gcinindawo

Cllr B Ndlobongela

Cllr B Babile

Cllr T Mngoma

Cllr T Bhova

Cllr M Bunzana

Cllr G N Lusu

Cllr N F Mzimane

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## General Information

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|                                   |   |
|-----------------------------------|---|
|                                   | Cllr M W Malotana<br>Cllr B B Gqwetha<br>Cllr M Gogo (Deceased as at July 2020)<br>Cllr N Ngqongwa<br>Cllr N Pali<br>Cllr N Nyangani<br>Cllr M Mpangele<br>Cllr M Fukula<br>Cllr R Knock<br>Cllr A Mgquba<br>Cllr L M Luwaca<br>Cllr U N V Malghas<br>Cllr N M Nqwazi<br>Cllr DM Zozo<br>Cllr N Mtwla<br>Cllr N A Sobahle<br>Cllr L P Zuma<br>Cllr M A Manzolwandle<br>Cllr B Malghas<br>Cllr L A Tshiseka<br>Cllr N P Ngalo<br>Cllr S Nyengane |
| <b>Grading of local authority</b> | Grade 4   |
| <b>Chief Finance Officer</b>      | Mr E Jiholo   |
| <b>Accounting Officer</b>         | Mr N Pakade   |
| <b>Registered office</b>          | Munitata Building<br>Sutherland Street<br>Mthatha   |
| <b>Postal address</b>             | Private Bag X5083<br>Mthatha<br>5099<br>5099  |
| <b>Bankers</b>                    | ABSA<br>FNB   |
| <b>Auditors</b>                   | Auditor General South Africa<br>Registered Auditors   |

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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

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|       |   |
|-------|---|
| COID  | Compensation for Occupational Injuries and Diseases |
| DBSA  | Development Bank of South Africa                    |
| GRAP  | Generally Recognised Accounting Practice            |
| HDF   | Housing Development Fund                            |
| IAS   | International Accounting Standards                  |
| IPSAS | International Public Sector Accounting Standards    |
| ME's  | Municipal Entities                                  |
| MEC   | Member of the Executive Council                     |
| MFMA  | Municipal Finance Management Act                    |
| MIG   | Municipal Infrastructure Grant (Previously CMIP)    |
| UIF   | Unemployment Insurance Fund                         |
| WCA   | Workmen's Compensation Act                          |

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting officer's Responsibilities and Approval

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

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

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

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

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

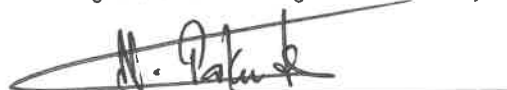
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 84, which have been prepared on the going concern basis, were approved by the on 31 August 2021 and were signed on its behalf by:



Accounting Officer  
Mr N Pakade

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Position as at 30 June 2021

| Figures in Rand                            | Notes | 2021                 | 2020<br>Restated*    |
|--|-------|----------------------|----------------------|
| <b>Assets</b>                              |       |                      |                      |
| <b>Current Assets</b>                      |       |                      |                      |
| Inventories                                | 3     | 140 580 982          | 137 112 021          |
| Receivables from exchange transactions     | 4     | 69 136 426           | 61 635 142           |
| Receivables from non-exchange transactions | 5     | 61 462 835           | 44 909 982           |
| VAT receivable                             | 6     | -                    | 7 498 463            |
| Cash and cash equivalents                  | 7     | 50 389 717           | 26 182 479           |
|  |       | <b>321 569 960</b>   | <b>277 338 087</b>   |
| <b>Non-Current Assets</b>                  |       |                      |                      |
| Investment property                        | 8     | 333 328 826          | 321 499 845          |
| Property, plant and equipment              | 9     | 2 159 234 678        | 2 192 363 434        |
| Intangible assets                          | 10    | 1 766 026            | 1 589 760            |
| Heritage assets                            | 11    | 3 201 000            | 3 201 000            |
|  |       | <b>2 497 530 530</b> | <b>2 518 654 039</b> |
| <b>Total Assets</b>                        |       | <b>2 819 100 490</b> | <b>2 795 992 126</b> |
| <b>Liabilities</b>                         |       |                      |                      |
| <b>Current Liabilities</b>                 |       |                      |                      |
| Other financial liabilities                | 12    | 3 718 197            | 4 194 796            |
| Finance lease obligation                   | 13    | 22 700 750           | 20 366 489           |
| Payables from exchange transactions        | 14    | 390 619 226          | 430 347 423          |
| VAT payable                                |       | 6 793 812            | -                    |
| Consumer deposits                          | 15    | 24 215 909           | 21 233 372           |
| Unspent conditional grants and receipts    | 16    | 19 945 900           | 14 967 506           |
|  |       | <b>467 993 794</b>   | <b>491 109 586</b>   |
| <b>Non-Current Liabilities</b>             |       |                      |                      |
| Other financial liabilities                | 12    | 8 418 165            | 10 459 332           |
| Finance lease obligation                   | 13    | 32 565 167           | 55 459 679           |
| Provisions                                 | 17    | 51 700 095           | 50 575 138           |
|  |       | <b>92 683 427</b>    | <b>116 494 149</b>   |
| <b>Total Liabilities</b>                   |       | <b>560 677 221</b>   | <b>607 603 735</b>   |
| <b>Net Assets</b>                          |       | <b>2 258 423 269</b> | <b>2 188 388 391</b> |
| <b>Reserves</b>                            |       |                      |                      |
| Revaluation reserve                        | 18    | 383 988 031          | 383 988 031          |
| Self-insurance reserve                     | 19    | 3 834 223            | 3 801 185            |
| Accumulated surplus                        |       | 1 870 601 015        | 1 800 599 175        |
| <b>Total Net Assets</b>                    |       | <b>2 258 423 269</b> | <b>2 188 388 391</b> |

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Performance

| Figures in Rand                                     | Notes | 2021                   | 2020<br>Restated*      |
|---|-------|------------------------|------------------------|
| <b>Revenue</b>                                      |       |                        |                        |
| <b>Revenue from exchange transactions</b>           |       |                        |                        |
| Service charges                                     | 20    | 495 689 905            | 472 558 996            |
| Rental of facilities and equipment                  | 21    | 14 611 854             | 20 134 764             |
| Licences and permits                                | 22    | 15 002 969             | 11 582 958             |
| Other income  | 23    | 46 361 505             | 68 600 815             |
| Investment revenue                                  | 24    | 22 942 498             | 26 692 987             |
| Fair value adjustments                              | 25    | 11 828 981             | 4 457 358              |
| <b>Total revenue from exchange transactions</b>     |       | <b>606 437 712</b>     | <b>604 027 878</b>     |
| <b>Revenue from non-exchange transactions</b>       |       |                        |                        |
| <b>Taxation revenue</b>                             |       |                        |                        |
| Property rates                                      | 26    | 245 824 497            | 218 351 223            |
| Investment Revenue                                  | 24    | 20 608 558             | 24 413 189             |
| <b>Transfer revenue</b>                             |       |                        |                        |
| Government grants and subsidies                     | 27    | 543 966 829            | 475 613 729            |
| Public contributions and donations                  | 29    | 11 969 770             | -                      |
| Fines, penalties and forfeits                       | 28    | 4 148 473              | 2 125 224              |
| <b>Total revenue from non-exchange transactions</b> |       | <b>826 518 127</b>     | <b>720 503 365</b>     |
| <b>Total revenue</b>                                | 31    | <b>1 432 955 839</b>   | <b>1 324 531 243</b>   |
| <b>Expenditure</b>                                  |       |                        |                        |
| Employee related costs                              | 32    | (499 698 677)          | (464 851 761)          |
| Remuneration of councillors                         | 33    | (28 255 080)           | (28 299 925)           |
| Depreciation and amortisation                       | 34    | (164 836 406)          | (179 175 425)          |
| Impairment loss                                     | 35    | -                      | (30 937 310)           |
| Finance costs                                       | 36    | (29 142 064)           | (36 295 920)           |
| Lease rentals on operating lease                    | 30    | (7 907 846)            | (3 888 520)            |
| Debt Impairment                                     | 37    | (4 321 658)            | (117 035 622)          |
| Bulk purchases                                      | 38    | (322 019 740)          | (315 810 587)          |
| Contracted services                                 | 39    | (16 720 778)           | (10 730 085)           |
| Grants and Subsidies paid                           | 40    | (62 335 156)           | (47 118 623)           |
| Loss on disposal of assets                          |       | (1 102 715)            | (8 417 035)            |
| General Expenses                                    | 41    | (186 540 956)          | (168 975 590)          |
| <b>Total expenditure</b>                            |       | <b>(1 322 881 076)</b> | <b>(1 411 536 403)</b> |
| <b>Surplus (deficit) for the year</b>               |       | <b>110 074 763</b>     | <b>(87 005 160)</b>    |

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Statement of Changes in Net Assets

| Figures in Rand                                       | Revaluation<br>reserve | Insurance<br>reserve | Total reserves     | Accumulated<br>Surplus | Total net<br>assets  |
|---|------------------------|----------------------|--------------------|------------------------|----------------------|
| Opening balance as previously reported                | 383 988 031            | 3 681 232            | 387 669 263        | 1 701 583 395          | 2 089 252 658        |
| Adjustments   |                        |                      |                    |                        |                      |
| Prior year adjustments                                |                        |                      |                    | 171 881 702            | 171 881 702          |
| <b>Balance at 01 July 2019 as restated*</b>           | <b>383 988 031</b>     | <b>3 681 232</b>     | <b>387 669 263</b> | <b>1 873 465 097</b>   | <b>2 261 134 360</b> |
| Changes in net assets                                 |                        |                      |                    |                        |                      |
| Movement in self insurance reserve                    |                        | 119 953              | 119 953            |                        | 119 953              |
| Prior year adjustment                                 |                        |                      |                    | 14 139 239             | 14 139 239           |
| Net income (losses) recognised directly in net assets |                        | 119 953              | 119 953            | 14 139 239             | 14 259 192           |
| Surplus for the year                                  |                        |                      |                    | (87 005 161)           | (87 005 161)         |
| Total recognised income and expenses for the year     |                        | 119 953              | 119 953            | (72 865 922)           | (72 745 969)         |
| Total changes   |                        | 119 953              | 119 953            | (72 865 922)           | (72 745 969)         |
| <b>Balance at 01 July 2020 restated</b>               | <b>383 988 031</b>     | <b>3 801 185</b>     | <b>387 789 216</b> | <b>1 800 599 174</b>   | <b>2 188 388 390</b> |
| Changes in net assets                                 |                        |                      |                    |                        |                      |
| Movement in self insurance reserve                    |                        | 33 039               | 33 039             |                        | 33 039               |
| Prior year Adjustment                                 |                        |                      |                    | (40 072 922)           | (40 072 922)         |
| Net income (losses) recognised directly in net assets |                        | 33 039               | 33 039             | (40 072 922)           | (40 039 883)         |
| Surplus for the year                                  |                        |                      |                    | 110 074 763            | 110 074 763          |
| Total recognised income and expenses for the year     |                        | 33 039               | 33 039             | 70 001 841             | 70 034 880           |
| Total changes   |                        | 33 039               | 33 039             | 70 001 841             | 70 034 880           |
| <b>Balance at 30 June 2021</b>                        | <b>383 988 031</b>     | <b>3 834 224</b>     | <b>387 822 255</b> | <b>1 870 601 015</b>   | <b>2 258 423 270</b> |
| Note(s)   | 18                     | 19                   |                    |                        |                      |



# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Cash Flow Statement

| Figures in Rand   | Note(s)   | 2021                   | 2020                   |
|---|-----------|------------------------|------------------------|
| <b>Cash flows from operating activities</b>             |           |                        |                        |
| <b>Receipts</b>   |           |                        |                        |
| Property rates  |           | 210 675 432            | 220 533 014            |
| Receipts from Customers                                 |           | 588 429 553            | 550 026 591            |
| Grants  |           | 548 945 223            | 475 613 729            |
| Interest income   |           | 43 551 056             | 51 106 176             |
|   |           | <b>1 391 601 264</b>   | <b>1 297 279 510</b>   |
| <b>Payments</b>   |           |                        |                        |
| Employee costs  |           | (528 042 113)          | (493 151 686)          |
| Suppliers   |           | (653 201 010)          | (569 902 208)          |
| Finance costs   |           | (29 142 064)           | (36 295 920)           |
|   |           | <b>(1 210 385 187)</b> | <b>(1 099 349 814)</b> |
| <b>Net cash flows from operating activities</b>         | <b>43</b> | <b>181 216 077</b>     | <b>197 929 696</b>     |
| <b>Cash flows from investing activities</b>             |           |                        |                        |
| Purchase of property, plant and equipment               | 9         | (134 638 210)          | (193 080 091)          |
| Proceeds from sale of property, plant and equipment     | 9         | 1 090 236              | 3 272 060              |
| Purchase of other intangible assets                     | 10        | (382 848)              | (1 212 940)            |
| <b>Net cash flows from investing activities</b>         |           | <b>(133 930 822)</b>   | <b>(191 020 971)</b>   |
| <b>Cash flows from financing activities</b>             |           |                        |                        |
| Repayment of other financial liabilities                |           | (2 517 766)            | 12 871 176             |
| Movement in finance lease                               |           | (20 560 251)           | (15 860 475)           |
| <b>Net cash flows from financing activities</b>         |           | <b>(23 078 017)</b>    | <b>(2 989 299)</b>     |
| <b>Net decrease in cash and cash equivalents</b>        |           | <b>24 207 238</b>      | <b>3 919 426</b>       |
| Cash and cash equivalents at the beginning of the year  |           | 26 182 479             | 22 263 053             |
| <b>Cash and cash equivalents at the end of the year</b> | <b>7</b>  | <b>50 389 717</b>      | <b>26 182 479</b>      |

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

|  | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|

Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

|   |                    |                  |                    |                    |                      |
|---|--------------------|------------------|--------------------|--------------------|----------------------|
| Service charges                                 | 584 122 918        | -                | 584 122 918        | 495 689 905        | (88 433 013)         |
| Rental of facilities and equipment              | 31 487 930         | (2 990 394)      | 28 497 536         | 14 611 854         | (13 885 682)         |
| Licences and permits                            | 20 934 603         | (200 000)        | 20 734 603         | 15 002 969         | (5 731 634)          |
| Other income                                    | 54 490 162         | 4 728 505        | 59 218 667         | 46 361 505         | (12 857 162)         |
| Interest received                               | 56 716 899         | -                | 56 716 899         | 22 942 498         | (33 774 401)         |
| <b>Total revenue from exchange transactions</b> | <b>747 752 512</b> | <b>1 538 111</b> | <b>749 290 623</b> | <b>594 608 731</b> | <b>(154 681 892)</b> |

##### Revenue from non-exchange transactions

##### Taxation revenue

|                    |             |   |             |             |            |
|--------------------|-------------|---|-------------|-------------|------------|
| Property rates     | 246 182 733 | - | 246 182 733 | 245 824 497 | (358 236)  |
| Investment Revenue | -           | - | -           | 20 608 558  | 20 608 558 |

##### Transfer revenue

|                                    |             |            |             |             |             |
|------------------------------------|-------------|------------|-------------|-------------|-------------|
| Government grants & subsidies      | 374 967 650 | 78 974 070 | 453 941 720 | 543 966 829 | 90 025 109  |
| Public contributions and donations | -           | -          | -           | 11 969 770  | 11 969 770  |
| Fines, Penalties and Forfeits      | 5 387 116   | -          | 5 387 116   | 4 148 473   | (1 238 643) |

|   |                    |                   |                    |                    |                    |
|---|--------------------|-------------------|--------------------|--------------------|--------------------|
| <b>Total revenue from non-exchange transactions</b> | <b>626 537 499</b> | <b>78 974 070</b> | <b>705 511 569</b> | <b>826 518 127</b> | <b>121 006 558</b> |
|---|--------------------|-------------------|--------------------|--------------------|--------------------|

|                      |                      |                   |                      |                      |                     |
|----------------------|----------------------|-------------------|----------------------|----------------------|---------------------|
| <b>Total revenue</b> | <b>1 374 290 011</b> | <b>80 512 181</b> | <b>1 454 802 192</b> | <b>1 421 126 858</b> | <b>(33 675 334)</b> |
|----------------------|----------------------|-------------------|----------------------|----------------------|---------------------|

#### Expenditure

|                                  |               |              |               |               |              |
|----------------------------------|---------------|--------------|---------------|---------------|--------------|
| Personnel                        | (491 534 032) | (3 309 416)  | (494 843 448) | (499 698 677) | (4 855 229)  |
| Remuneration of councillors      | (31 045 419)  | 563 660      | (30 481 759)  | (28 255 080)  | 2 226 679    |
| Depreciation and amortisation    | (135 446 862) | (64 553 138) | (200 000 000) | (164 836 406) | 35 163 594   |
| Finance costs                    | (14 969 854)  | (5 264 089)  | (20 233 943)  | (29 142 064)  | (8 908 121)  |
| Lease rentals on operating lease | (14 307 616)  | 9 361 050    | (4 946 566)   | (7 907 846)   | (2 961 280)  |
| Debt Impairment                  | (39 272 535)  | (82 929 582) | (122 202 117) | (4 321 658)   | 117 880 459  |
| Bulk purchases                   | (364 510 345) | -            | (364 510 345) | (322 019 740) | 42 490 605   |
| Contracted services              | (3 668 689)   | (9 830 344)  | (13 499 033)  | (16 720 778)  | (3 221 745)  |
| Grants and Subsidies Paid        | (59 825 029)  | (1 135 669)  | (60 960 698)  | (62 335 156)  | (1 374 458)  |
| General Expenses                 | (134 560 584) | (25 174 169) | (159 734 753) | (186 540 956) | (26 806 203) |

|                          |                        |                      |                        |                        |                    |
|--------------------------|------------------------|----------------------|------------------------|------------------------|--------------------|
| <b>Total expenditure</b> | <b>(1 289 140 965)</b> | <b>(182 271 697)</b> | <b>(1 471 412 662)</b> | <b>(1 321 778 361)</b> | <b>149 634 301</b> |
|--------------------------|------------------------|----------------------|------------------------|------------------------|--------------------|

|                          |                   |                      |                     |                   |                    |
|--------------------------|-------------------|----------------------|---------------------|-------------------|--------------------|
| <b>Operating surplus</b> | <b>85 149 046</b> | <b>(101 759 516)</b> | <b>(16 610 470)</b> | <b>99 348 497</b> | <b>115 958 967</b> |
|--------------------------|-------------------|----------------------|---------------------|-------------------|--------------------|

|   |           |   |           |             |             |
|---|-----------|---|-----------|-------------|-------------|
| Fair value adjustments                  | -         | - | -         | 11 828 981  | 11 828 981  |
| Gains on disposal of non-current assets | 1 666 599 | - | 1 666 599 | (1 102 715) | (2 769 314) |

|  |                  |          |                  |                   |                  |
|--|------------------|----------|------------------|-------------------|------------------|
|  | <b>1 666 599</b> | <b>-</b> | <b>1 666 599</b> | <b>10 726 266</b> | <b>9 059 667</b> |
|--|------------------|----------|------------------|-------------------|------------------|

|                                |                   |                      |                     |                    |                    |
|--------------------------------|-------------------|----------------------|---------------------|--------------------|--------------------|
| <b>Surplus before taxation</b> | <b>86 815 645</b> | <b>(101 759 516)</b> | <b>(14 943 871)</b> | <b>110 074 763</b> | <b>125 018 634</b> |
|--------------------------------|-------------------|----------------------|---------------------|--------------------|--------------------|

|  |                   |                      |                     |                    |                    |
|--|-------------------|----------------------|---------------------|--------------------|--------------------|
| <b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b> | <b>86 815 645</b> | <b>(101 759 516)</b> | <b>(14 943 871)</b> | <b>110 074 763</b> | <b>125 018 634</b> |
|--|-------------------|----------------------|---------------------|--------------------|--------------------|

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

| Figures in Rand | Note(s) | 2021 | 2020 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

### 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.

#### 1.1 Going concern assumption

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

#### 1.2 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:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

#### 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 surplus 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, held to maturity investments and loans and receivables is calculated on individual debtor basis, based on historical loss ratios, debtor type and other indicators present at the reporting date that correlate with defaults.

#### Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and 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 17 - Provisions.

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

#### 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 pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 58.

#### Effective interest rate

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

#### Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follow [State significant judgements made].

Additional information is disclosed in Note 58.

#### 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 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 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

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.4 Investment property (continued)

#### Fair value

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

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

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

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

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

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

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

### 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

### 1.5 Property, plant and equipment (continued)

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land, Buildings and Community assets where is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

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

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

| Item                   |               | Average useful life |
|------------------------|---------------|---------------------|
| Land                   |               | infinite            |
| Buildings              | Straight line | 5 - 50 years        |
| Plant and machinery    | Straight line | 5 - 10 years        |
| Furniture and fixtures | Straight line | 3 - 5 years         |
| Office equipment       | Straight line | 5 - 7 years         |
| IT equipment           | Straight line | 5 - 7 years         |
| Computer software      | Straight line | 3 - 5 years         |
| - Roads and paving     | Straight line | 30 years            |
| - Access roads         | Straight line | 3-10 years          |
| - Pedestrian malls     | Straight line | 30 years            |
| - Electricity          | Straight line | 10 - 50 years       |

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

### 1.5 Property, plant and equipment (continued)

|                                      |               |               |
|--------------------------------------|---------------|---------------|
| - Sewerage                           | Straight line | 15 - 20 years |
| Community                            |               |               |
| - Buildings                          | Straight line | 30 - 50 years |
| - Recreational equipment             | Straight line | 20 - 30 years |
| - Security                           | Straight line | 5 years       |
| - Halls                              | Straight line | 30 years      |
| - Libraries                          | Straight line | 30 - 50 years |
| - Parks and gardens                  | Straight line | 20 - 30 years |
| - Sport fields                       | Straight line | 20 - 30 years |
| Other property, plant and equipment  |               |               |
| - Other vehicles                     | Straight line | 5 years       |
| - Other items of plant and equipment | Straight line | 7 - 10 years  |
| - Landfill sites                     | Straight line | 4-30 years    |
| - Fire engines                       | Straight line | 10 - 20 years |
| Bins and containers                  | Straight line | 5 years       |
| Other leased assets                  |               |               |
| - Motor vehicles                     | Straight line | 5-20 years    |
| Laboratory equipment                 | Straight line | 5 - 7 years   |
| Specialised vehicles                 | Straight line | 10 years      |
| Heritage assets                      |               | Infinite      |
| Cemetery                             | Straight line | 25 - 30 years |
| Stadium                              | Straight line | 25 - 30 years |

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

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

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

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

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

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

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

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

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

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

### 1.6 Intangible assets

An asset is identifiable if it either:

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

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

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.6 Intangible assets (continued)

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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| Item                     | Depreciation method | Average useful life |
|--------------------------|---------------------|---------------------|
| Computer software, other | Straight-line       | 3 - 5 years         |

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

Intangible assets are derecognised:

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

### 1.7 Heritage assets

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.

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

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

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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



# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.7 Heritage assets (continued)

#### Subsequent measurement

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

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

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

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

#### Impairment

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

#### Transfers

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

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

#### Derecognition

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

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

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 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 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.

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

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.

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.

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

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

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

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

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

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.8 Financial instruments (continued)

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

#### Classification

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

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

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

| Class                                    | Category                                       |
|--|--|
| Other financial liabilities - Long term  | Financial liability measured at amortised cost |
| Other financial liabilities - short term | Financial liability measured at amortised cost |
| Payables from exchange transactions      | Financial liability measured at amortised cost |

### 1.9 Statutory receivables

#### Identification

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

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

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

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### 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.

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 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.

### 1.10 Leases

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

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

#### Finance leases - lessee

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

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

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

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

#### Operating leases - 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 Inventories

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

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

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

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

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

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

# King Sabata Dalindyebo Local Municipality

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### 1.12 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

### 1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

[Specify judgements made]

# King Sabata Dalindyebo Local Municipality

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

#### Identification of a potential impairment

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.

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

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

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

# King Sabata Dalindyebo Local Municipality

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## Accounting Policies

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

#### Recognition and measurement of cash-generating units

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

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

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

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

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

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

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

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

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

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

#### Reversal of impairment loss

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

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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### 1.13 Impairment of 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.

### 1.14 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

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

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

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

#### Value in use

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



# King Sabata Dalindyebo Local Municipality

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## Accounting Policies

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP 21 - Impairment of non - cash generating assets.

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

#### Reversal of an impairment loss

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

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

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

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

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

#### 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.

### 1.15 Contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

### 1.16 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:

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

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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### 1.16 Employee benefits (continued)

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity 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.

#### Post-employment benefits

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

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

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

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

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

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity 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 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.

# King Sabata Dalindyebo Local Municipality

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### 1.16 Employee benefits (continued)

#### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# King Sabata Dalindyebo Local Municipality

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## Accounting Policies

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### 1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.19 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.

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.

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.19 Revenue from exchange transactions (continued)

#### Interest, royalties and dividends

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 using the effective interest rate method.

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

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

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

### 1.20 Revenue from non-exchange transactions

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

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

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

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

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

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another entity 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 entity.

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

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

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

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

#### Recognition

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

As the entity 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.

# King Sabata Dalindyebo Local Municipality

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## Accounting Policies

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

#### Measurement

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

When, as a result of a non-exchange transaction, the entity 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.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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 entity.

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

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

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

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

#### Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

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

### 1.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipality, and the costs can be measured reliably. The municipality applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the municipality. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.22 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.

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.

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.22 Accounting by principals and agents (continued)

#### 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 it 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.

### 1.23 Comparative figures

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

### 1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.25 Fruitless and wasteful expenditure

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

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

### 1.26 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.

### 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.



# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.27 Segment information (continued)

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

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

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

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

### 1.29 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.

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

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

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

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

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

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

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

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

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 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 Value added tax (VAT)

The municipality accounts for VAT on an accrual basis and is registered with the South African Revenue Services (SARS) for VAT on the payments (cash) basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

### 1.32 Consumer deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months consumption of electricity services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits

### 1.33 Unspent conditional grants

This is represented funds unspent at the end of the financial year on grants received from national and provincial government or any other external party that can only be spent for the condition for which it was received. The amount is recognised as a current liability until the conditions of the grant are met or the money is transferred back to the funder.

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

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

| Standard/ Interpretation:  | Effective date:<br>Years beginning on or after | Expected impact:   |
|--|--|--|
| • Guideline: Guideline on Accounting for Landfill Sites  | 01 April 2020                                  | The impact of the is not material.   |
| • GRAP 1 (amended): Presentation of Financial Statements   | 01 April 2020                                  | The impact of the is not material.   |
| • GRAP 34: Separate Financial Statements   | 01 April 2020                                  | The impact of the is not material.   |
| • GRAP 35: Consolidated Financial Statements   | 01 April 2020                                  | The impact of the is not material.   |
| • GRAP 36: Investments in Associates and Joint Ventures  | 01 April 2020                                  | The impact of the is not material.   |
| • GRAP 37: Joint Arrangements  | 01 April 2020                                  | The impact of the is not material.   |
| • GRAP 38: Disclosure of Interests in Other Entities   | 01 April 2020                                  | The impact of the is not material.   |
| • GRAP 110 (as amended 2016): Living and Non-living Resources  | 01 April 2020                                  | The impact of the is not material.   |
| • IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue   | 01 April 2020                                  | The impact of the is not material.   |
| • Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges | 01 April 2020                                  | The impact of the is not material.   |
| • Directive 7 (revised): The Application of Deemed Cost  | 01 April 2020                                  | The impact of the is not material.   |
| • GRAP 18 (as amended 2016): Segment Reporting   | 01 April 2020                                  | The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements |

#### 2.2 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:<br>Years beginning on or after | Expected impact:                         |
|--|--|--|
| • GRAP 104 (amended): Financial Instruments                                      | 01 April 2099                                  | Unlikely there will be a material impact |
| • Guideline: Guideline on the Application of Materiality to Financial Statements | 01 April 2099                                  | Unlikely there will be a material impact |

### 3. Inventories

|  |                    |                    |
|--|--------------------|--------------------|
| Land - Held for transfers                            | 123 196 296        | 123 196 296        |
| Consumables Stores                                   | 2 052 070          | 2 269 480          |
| Electrical Equipment                                 | 15 332 616         | 11 646 245         |
|  | <b>140 580 982</b> | <b>137 112 021</b> |
| Inventories recognised as an expense during the year | 4 481 074          | 2 563 744          |

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Receivables from exchange transactions

|                                | 2021              | 2020              |
|--------------------------------|-------------------|-------------------|
| Consumer debtors Other         | 85 948            | 96 054            |
| Consumables Sundry Debtors     | 9 393 101         | 9 413 656         |
| Consumer debtors - Electricity | 76 950 659        | 63 323 781        |
| Consumer debtors - Refuse      | 217 829 368       | 205 077 783       |
| Consumer debtors - Rentals     | 144 676 803       | 164 171 219       |
| Provision for Impairment       | (379 799 453)     | (380 447 351)     |
|                                | <b>69 136 426</b> | <b>61 635 142</b> |

### Trade and other receivables pledged as security

The municipality does not have any receivables from exchange transactions that have been pledged as security

### Fair value of trade and other receivables

|                             |            |            |
|-----------------------------|------------|------------|
| Trade and other receivables | 69 136 426 | 61 635 142 |
|-----------------------------|------------|------------|

The fair value of trade and other receivables from exchange transactions approximates their carrying amount.

### Trade and other receivables past due but not impaired

The normal credit term for the municipality is 30 days. At 30 June 2021, receivables of R 14 024 296 (2020: R 13 758 895) were past due but not impaired.

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

|                      |           |           |
|----------------------|-----------|-----------|
| 61-90 days past due  | 2 514 549 | 2 642 663 |
| 91-120 days past due | 2 345 349 | 1 429 847 |
| Over 3 months        | 9 164 398 | 9 686 385 |

### Trade and other receivables impaired

As of 30 June 2021, trade and other receivables of R 379 799 453 (2020: R 380 460 331) were impaired and provided for.

The ageing of these amounts is as follows:

|                        |             |             |
|------------------------|-------------|-------------|
| 1 to 3 months          | 13 789 018  | 44 291 564  |
| 3 to 6 months          | 9 400 660   | 17 334 684  |
| Over 6 months          | 242 883 994 | 218 380 092 |
| Penalties and interest | 113 725 781 | 100 453 990 |

Included in the above are receivables from exchange transactions as follows;

### Electricity -Ageing

|                                   |                   |                   |
|-----------------------------------|-------------------|-------------------|
| Current                           | 23 132 500        | 16 947 166        |
| 31 - 60 days                      | 11 088 347        | 11 137 929        |
| 61 - 90 days                      | 8 311 609         | 3 789 415         |
| 91 - 120 days                     | 5 451 613         | 3 292 896         |
| > 120 days                        | 18 262 755        | 23 632 465        |
| Penalties and interest            | 5 249 523         | 4 737 159         |
| Add: Debtors with credit balances | 3 110 449         | 4 448 074         |
|                                   | <b>74 606 796</b> | <b>67 985 104</b> |

### Refuse - Ageing

|              |           |           |
|--------------|-----------|-----------|
| Current      | 734 048   | 3 666 288 |
| 31 - 60 days | 2 541 979 | 3 016 406 |

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

|  | 2021               | 2020               |
|--|--------------------|--------------------|
| <b>4. Receivables from exchange transactions (continued)</b> |                    |                    |
| 61 - 90 days   | 2 341 249          | 2 288 514          |
| 91 - 120 days  | 2 097 624          | 2 523 540          |
| > 120 days   | 156 592 884        | 143 858 678        |
| Penalties and interest                                       | 53 490 985         | 49 378 145         |
| Add: Debtors with credit balances                            | 639 582            | 405 607            |
|  | <b>218 438 351</b> | <b>205 137 178</b> |

### Rentals - Ageing

|                                   |                    |                    |
|-----------------------------------|--------------------|--------------------|
| Current                           | 9 504 670          | 524 874            |
| 31 - 60 days                      | 1 320 604          | 1 337 352          |
| 61 - 90 days                      | 1 016 889          | 1 283 958          |
| 91 - 120 days                     | 1 195 931          | 1 185 292          |
| > 120 days                        | 79 729 333         | 91 501 754         |
| Penalties and interest            | 54 895 274         | 58 205 618         |
| Add: Debtors with credit balances | 697 663            | 921 476            |
|                                   | <b>148 360 364</b> | <b>154 960 324</b> |

### Sundry debtors- Ageing

|                        |                |                  |
|------------------------|----------------|------------------|
| Current                | (3 617 842)    | -                |
| 31 - 60 days           | -              | -                |
| 61 - 90 days           | -              | -                |
| > 120 days             | 4 553 174      | 1 108 430        |
| Penalties and interest | -              | -                |
|                        | <b>935 332</b> | <b>1 108 430</b> |

### Reconciliation of provision for impairment of trade and other receivables

|                          |                    |                    |
|--------------------------|--------------------|--------------------|
| Opening balance          | 380 447 351        | 307 810 647        |
| Provision for impairment | (647 898)          | 72 636 704         |
|                          | <b>379 799 453</b> | <b>380 447 351</b> |

### Summary of debtors by customer classification

|                               | Consumers        | Industrial/<br>Commercial | Government        | Total             |
|-------------------------------|------------------|---------------------------|-------------------|-------------------|
| <b>as at 30 June 2021</b>     |                  |                           |                   |                   |
| Current                       | 8 840 843        | 18 450 884                | 4 722 205         | 32 013 932        |
| 31 -60 days                   | 2 899 536        | 11 237 111                | 814 282           | 14 950 929        |
| 61 - 90 days                  | 2 559 211        | 8 590 000                 | 520 535           | 11 669 746        |
| 91 - 120 days                 | 2 651 914        | 5 729 565                 | 363 690           | 8 745 169         |
| >120 days                     | 200 435 156      | 41 935 669                | 6 580 784         | 248 951 609       |
| Penalties and interest        | 93 013 622       | 18 968 446                | 1 653 713         | 113 635 781       |
|                               | 310 400 282      | 104 911 675               | 14 655 209        | 429 967 166       |
| Less provision for impairment | (310 479 343)    | (69 320 109)              | -                 | (379 799 452)     |
| Debtor with Credit balances   | 4 192 509        | 3 029 550                 | 703 924           | 7 925 983         |
|                               | <b>4 113 448</b> | <b>38 621 116</b>         | <b>15 359 133</b> | <b>58 093 697</b> |

### Summary of debtors by customer classification

|                           | Consumers   | Industrial/<br>Commercial | Government | Total     |
|---------------------------|-------------|---------------------------|------------|-----------|
| <b>as at 30 June 2020</b> |             |                           |            |           |
| Current                   | (4 866 214) | 9 468 599                 | 616 135    | 5 218 520 |

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

|  |                  |                   | 2021              | 2020              |
|--|------------------|-------------------|-------------------|-------------------|
| <b>4. Receivables from exchange transactions (continued)</b> |                  |                   |                   |                   |
| 31 - 60 days   | 2 647 317        | 9 514 594         | 3 064 746         | 15 226 657        |
| 61 - 90 days   | 2 502 424        | 3 314 004         | 1 310 198         | 7 126 626         |
| 91 - 120 days  | 2 430 074        | 3 740 041         | 657 944           | 6 828 059         |
| >120 days  | 199 734 069      | 44 496 024        | 6 281 574         | 250 511 667       |
| Penalties and interest                                       | 90 931 956       | 17 082 065        | 1 451 326         | 109 465 347       |
|  | 301 772 145      | 96 587 243        | 16 901 712        | 415 261 100       |
| Less provision for impairment                                | (299 039 437)    | (71 330 412)      | -                 | (370 369 849)     |
| Debtors with credit balances                                 | 8 392 519        | 8 971 916         | 3 519 789         | 20 884 224        |
|  | <b>2 732 708</b> | <b>25 256 831</b> | <b>16 901 712</b> | <b>44 891 251</b> |

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

|   | 2021              | 2020                |
|---|-------------------|---------------------|
| <b>5. Receivables from non-exchange transactions</b>  |                   |                     |
| Impairment  | (323 094 007)     | (318 073 632)       |
| Consumer debtors old balances   | 130 437           | 42 474              |
| Other receivables from non-exchange revenue   | 589 099           | 471 725             |
| Consumer debtors - Rates  | 383 837 306       | 361 825 495         |
| Other Debtors - Staff Houses Sell   | -                 | 643 920             |
|   | <b>61 462 835</b> | <b>44 909 982</b>   |
| <b>Statutory receivables included in receivables from non-exchange transactions above are as follows:</b>                 |                   |                     |
| Consumer debtors - Rates  | 383 837 306       | 376 523 530         |
| Consumer debtors old balances   | 130 437           | 37 425              |
| Impairment  | (323 094 007)     | (318 124 451)       |
|   | <b>60 873 736</b> | <b>58 436 504</b>   |
| <b>Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:</b> |                   |                     |
| Other receivables from non-exchange revenue   | 589 099           | 471 725             |
| Other Debtors - Staff Houses  | -                 | 643 920             |
|   | <b>589 099</b>    | <b>1 115 645</b>    |
| <b>Financial asset receivables included in receivables from non-exchange transactions above</b>                           | <b>-</b>          | <b>(14 642 167)</b> |
| <b>Total receivables from non-exchange transactions</b>   | <b>61 462 835</b> | <b>44 909 982</b>   |

### Statutory receivables general information

#### Transaction(s) arising from statute

Included in Receivables from non-exchange transactions are statutory receivables of 2021: R61 130 561 187 (2020: R44 909 982)

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. Property Rates arise from the MUNICIPAL PROPERTY RATES ACT NO. 6 OF 2004 as amended by Municipal Property Rates Amendment Act, No. 29 of 2014. This should be read together with Government Gazette 32061, updated by Government Gazette 38259 dated 28 November 2014. Statutory receivables transaction amounts is determined via the municipalities approved rates policy.

Impairment of Statutory receivables are assessed based on indicators that exist at each reporting date. These include but not limited to payment history and the customers overall profile.

#### Fair value of receivables from non-exchange transactions

|  |            |            |
|--|------------|------------|
| Other receivables from non-exchange transactions | 61 130 561 | 44 909 982 |
|--|------------|------------|

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

|  | 2021 | 2020 |
|--|------|------|
|--|------|------|

### 5. Receivables from non-exchange transactions (continued)

#### 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 46 083 874 (2020: R 41 791 036) were past due but not impaired.

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

|                         |            |            |
|-------------------------|------------|------------|
| 61-90 days past due     | 1 109 062  | 1 189 907  |
| 91 to 120 days past due | 639 968    | 829 232    |
| Over 121 days past due  | 36 777 561 | 33 128 764 |
| Penalties and Interest  | 7 557 283  | 6 643 133  |

#### Receivables from non-exchange transactions impaired

As of 30 June 2021, other receivables from non-exchange transactions of R 323 094 007 (2020: R 318 124 451) were impaired and provided for.

The amount of the provision was R (323 094 007) as of 30 June 2021 (2020: R (318 124 451)).

The ageing of these receivables is as follows:

|                        |             |             |
|------------------------|-------------|-------------|
| 1 to 3 months          | 17 999 843  | 18 768 436  |
| 3 to 6 months          | 11 022 531  | 11 405 451  |
| Over 6 months          | 210 537 208 | 216 062 537 |
| Penalties and Interest | 83 534 425  | 71 888 027  |

The carrying amount of other receivables from non-exchange transactions are denominated in the following currencies:

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

|                          |                    |                    |
|--------------------------|--------------------|--------------------|
| Opening balance          | 318 124 451        | 273 725 534        |
| Provision for impairment | 4 969 556          | 44 398 917         |
|                          | <b>323 094 007</b> | <b>318 124 451</b> |

### 6. VAT receivable

|     |   |           |
|-----|---|-----------|
| VAT | - | 7 498 463 |
|-----|---|-----------|



# King Sabata Dalindyebo Local Municipality

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## Notes to the Annual Financial Statements

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|                                       | 2021              | 2020              |
|---------------------------------------|-------------------|-------------------|
| <b>7. Cash and cash equivalents</b>   |                   |                   |
| Cash and cash equivalents consist of: |                   |                   |
| Cash on hand                          | 1 050             | 1 050             |
| Bank balances                         | 25 310 834        | 16 438 732        |
| Own investments- Short term           | 4 487 494         | 4 394 199         |
| Other cash and cash equivalents       | 20 590 339        | 5 348 498         |
|                                       | <b>50 389 717</b> | <b>26 182 479</b> |

### Pledged as security

The municipality has ceded an investment equivalent to the principal loan amount plus interest calculated up to September 2003 in favour of the DBSA loan 10875/102.

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates. Excess cash is invested with reputable financial institutions with good credit ratings:

### Cash and cash equivalents pledged as collateral

### 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 Call Account 62090323636  | 818 252                 | 1 735 119    | 1 441 484    | 818 252            | 2 714 957    | 1 441 484    |
| ABSA Call Account 4061496604  | 1 843 694               | 10 919 767   | 8 826 210    | 1 843 694          | 10 271 210   | 8 826 210    |
| ABSA Cheque Account 4048218780  | 419 239                 | 958 448      | 876 644      | 419 239            | 958 448      | 876 654      |
| Self Insurance Reserve (Holland Insurance Company - Experience Account) | 3 834 198               | 3 801 159    | 3 681 207    | 3 834 198          | 3 801 159    | 3 681 207    |
| ABSA Call Account MTAB 9061932550                                       | 48 447                  | 47 182       | 45 037       | 48 447             | 47 182       | 45 229       |
| Unclaimed Group Life Insurance ABSA 9057846202                          | 2 847                   | 6 600        | 2 802 546    | 2 847              | 6 637        | 2 814 524    |
| ABSA Target Save - Various Accounts                                     | 224 364                 | 217 583      | 208 284      | 224 364            | 217 583      | 208 284      |
| Investic Bank Invest 1100456924   | 284 732                 | 275 321      | 260 056      | 284 732            | 275 321      | 260 056      |
| ABSA Call Account KSD Election 9260118662                               | 130 075                 | 126 596      | 120 872      | 130 075            | 126 596      | 121 389      |
| ABSA Call Account Mqanduli Miling 9118441412                            | -                       | -            | 3 276        | -                  | 3 173        | 3 260        |
| ABSA Call Account Rural Planning 9260110101                             | 150 719                 | 146 688      | 140 055      | 150 719            | 146 688      | 140 654      |
| ABSA Call Account Organogram Dev 9260110397                             | 9 523                   | 9 580        | 9 178        | 9 523              | 9 580        | 9 217        |
| ABSA Call Account Mqanduli Middle Income 9095799392                     | 58 843                  | 57 306       | 54 702       | 58 843             | 57 306       | 54 935       |
| FNB Cheque 62471836513  | 22 228 069              | 683 111      | 3 732 961    | 22 602 611         | 25 834       | 3 247 342    |
| FNB Call 62480366345 DOE Electrification                                | 62 735                  | 60 871       | 42 469       | 62 735             | 60 871       | 42 469       |
| FNB Call 62480370031FMG   | 1 120 198               | 1 351 704    | 19 820       | 1 120 198          | 1 351 704    | 19 820       |
| FNB Call Account 62480368838 MIG Account UCCMIP                         | 27 567                  | 76 897       | 173 743      | 27 567             | 76 897       | 173 743      |
| FNB Call Account 62480372863 Library                                    | 10 313                  | 54 849       | 429          | 10 313             | 54 849       | 429          |
| FNB Call Account 62486520151 Infrastructure Skills Dev                  | 2 835 936               | 30 799       | 17 465       | 2 835 936          | 30 799       | 17 465       |

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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|   |                   |                   |                   |                   | 2021              | 2020              |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>7. Cash and cash equivalents (continued)</b> |                   |                   |                   |                   |                   |                   |
| FNB Call Account 62500280516                    | -                 | -                 | 4 513             | -                 | -                 | 4 513             |
| LED Support                                     |                   |                   |                   |                   |                   |                   |
| FNB Call Account 62500281936                    | -                 | -                 | 1 886             | -                 | -                 | 1 886             |
| Chamber of Mines                                |                   |                   |                   |                   |                   |                   |
| FNB Call Account 62504407801                    | -                 | -                 | 37 818            | -                 | -                 | 37 818            |
| Ngangelizwe Urban Ren                           |                   |                   |                   |                   |                   |                   |
| FNB Call Account 62504410383                    | -                 | -                 | 53 954            | -                 | -                 | 53 954            |
| Fire Station                                    |                   |                   |                   |                   |                   |                   |
| FNB Call Account 62504414608                    | -                 | -                 | 9 032             | -                 | -                 | 9 032             |
| Maydene Farm Extension                          |                   |                   |                   |                   |                   |                   |
| FNB Call Account 62504444639                    | 17 487            | 17 443            | 9 778             | 17 487            | 17 443            | 9 978             |
| DOT Taxi Rank                                   |                   |                   |                   |                   |                   |                   |
| FNB Call Account 62523941070                    | 78 231            | 75 909            | 71 952            | 78 231            | 75 909            | 71 952            |
| New Brighton                                    |                   |                   |                   |                   |                   |                   |
| FNB Call Account 62523942408                    | 15 820 071        | 12 500            | 11 848            | 15 820 071        | 12 500            | 11 848            |
| Kei Rail  |                   |                   |                   |                   |                   |                   |
| FNB Call Account 62559404092                    | 141 001           | 93 499            | 265 277           | 141 001           | 93 499            | 265 277           |
| Asset Financing                                 |                   |                   |                   |                   |                   |                   |
| FNB Call Account 62709676582                    | 28 948            | 2 163 934         | 269 702           | 28 948            | 2 163 475         | 269 702           |
| (DOT Payover Account)                           |                   |                   |                   |                   |                   |                   |
| FNB Cheque Account 62810696487                  | 600 994           | 314 056           | 21 344            | 600 994           | 304 806           | 21 344            |
| FNB - Covid Account                             | 168 886           | 3 277 000         | -                 | 168 886           | 3 277 000         | -                 |
| FNB - Money on call Account                     | 54 353            | -                 | -                 | 54 353            | -                 | -                 |
| 62857329364                                     |                   |                   |                   |                   |                   |                   |
| <b>Total</b>                                    | <b>51 019 722</b> | <b>26 513 921</b> | <b>23 213 542</b> | <b>51 394 264</b> | <b>26 181 426</b> | <b>22 741 675</b> |

# King Sabata Dalindyebo Local Municipality

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|  | 2021 | 2020 |
|--|------|------|

### 8. Investment property

|                     | 2021             |   |                | 2020             |   |                |
|---------------------|------------------|---|----------------|------------------|---|----------------|
|                     | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 333 328 826      | -   | 333 328 826    | 321 499 845      | -   | 321 499 845    |

#### Reconciliation of investment property - 2021

|                     | Opening balance | Fair value adjustments | Total       |
|---------------------|-----------------|------------------------|-------------|
| Investment property | 321 499 845     | 11 828 981             | 333 328 826 |

#### Reconciliation of investment property - 2020

|                     | Opening balance | Fair value adjustments | Total       |
|---------------------|-----------------|------------------------|-------------|
| Investment property | 317 042 487     | 4 457 358              | 321 499 845 |

#### Pledged as security

The municipality does not have any investment property that is pledged as security:

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.

#### Details of valuation

The effective date of the revaluations was . Revaluations were performed by an independent valuer, Mr Kwasi Agyabeng-Boateng, B.Sc Honours (Land Economy) and registered as a professional valuer in terms of the Valuers Act (Registration No 3550/9), of Khanyisa Property Management Services. Khanyisa Property Management Services are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 9. Property, plant and equipment

|                                     | 2021                 |   | 2020                                    |                      |
|-------------------------------------|----------------------|---|---|----------------------|
|                                     | Cost / Valuation     | Accumulated depreciation and impairment | Carrying value                          | Cost / Valuation     |
|                                     |                      |   | Accumulated depreciation and impairment | Carrying value       |
| Land                                | 335 472 997          | -                                       | 335 472 997                             | 336 036 497          |
| Buildings                           | 287 607 774          | (97 911 541)                            | 189 696 233                             | 280 466 216          |
| Infrastructure                      | 3 122 473 641        | (1 968 952 402)                         | 1 153 521 239                           | 2 957 991 271        |
| Community                           | 396 324 488          | (126 765 147)                           | 269 559 341                             | 380 853 539          |
| Other property, plant and equipment | 50 319 648           | (24 282 149)                            | 26 037 499                              | 27 999 812           |
| Work In Progress                    | 129 683 911          | -                                       | 129 683 911                             | 199 455 214          |
| Specialised vehicles                | 152 315 365          | (97 051 907)                            | 55 263 458                              | 154 756 594          |
| <b>Total</b>                        | <b>4 474 197 824</b> | <b>(2 314 963 146)</b>                  | <b>2 159 234 678</b>                    | <b>4 337 559 143</b> |
|                                     |                      |   | <b>(2 145 195 709)</b>                  | <b>2 192 363 434</b> |

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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

#### Reconciliation of property, plant and equipment - 2021

|                                     | Opening balance      | Additions          | Disposals          | Transfers     | Depreciation         | Total                |
|-------------------------------------|----------------------|--------------------|--------------------|---------------|----------------------|----------------------|
| Land                                | 336 036 497          | -                  | (563 500)          | -             | -                    | 335 472 997          |
| Buildings                           | 194 875 257          | 8 692 558          | (866 998)          | -             | (13 004 584)         | 189 696 233          |
| Infrastructure                      | 1 095 036 592        | 5 047 479          | (279 068)          | 159 759 526   | (106 043 290)        | 1 153 521 239        |
| Community                           | 277 821 068          | 35 826             | -                  | 8 083 789     | (16 381 342)         | 269 559 341          |
| Other property, plant and equipment | 7 283 064            | 5 570 755          | (56 756)           | 16 816 807    | (3 576 371)          | 26 037 499           |
| Work In Progress                    | 199 455 214          | 114 888 819        | -                  | (184 660 122) | -                    | 129 683 911          |
| Specialised vehicles                | 81 855 742           | 19 925             | (990 130)          | -             | (25 622 079)         | 55 263 458           |
|                                     | <b>2 192 363 434</b> | <b>134 255 362</b> | <b>(2 756 452)</b> | <b>-</b>      | <b>(164 627 666)</b> | <b>2 159 234 678</b> |

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

|                                     | Opening balance      | Additions          | Additions through transfer of functions / mergers | Disposals           | Transfers/Write off | Depreciation         | Total                |
|-------------------------------------|----------------------|--------------------|---|---------------------|---------------------|----------------------|----------------------|
| Land                                | 308 231 497          | 28 483 500         | -   | (678 500)           | -                   | -                    | 336 036 497          |
| Buildings                           | 221 937 259          | -                  | -   | (11 010 222)        | -                   | (16 051 780)         | 194 875 257          |
| Infrastructure                      | 1 192 200 418        | 20 984 119         | -   | -                   | -                   | (118 147 945)        | 1 095 036 592        |
| Community                           | 287 339 438          | 6 633 983          | -   | -                   | -                   | (16 152 353)         | 277 821 068          |
| Other property, plant and equipment | 6 630 767            | 2 998 465          | -   | -                   | -                   | (2 346 168)          | 7 283 064            |
| Work In Progress                    | 128 764 390          | 131 712 729        | (31 112 172)                                      | -                   | (29 909 733)        | -                    | 199 455 214          |
| Specialised vehicles                | 105 909 751          | 2 267 295          | -   | -                   | -                   | (26 321 304)         | 81 855 742           |
|                                     | <b>2 251 013 520</b> | <b>193 080 091</b> | <b>(31 112 172)</b>                               | <b>(11 688 722)</b> | <b>(29 909 733)</b> | <b>(179 019 550)</b> | <b>2 192 363 434</b> |

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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

#### Pledged as security

The municipality has ceded to DBSA all rights, title and interest to residential properties owned by it valued at approximately R12 million in relation to the DBSA loan 13335/201.

The Munitata Building, Erf 9441, was ceded to PIC as security for a loan.:

There are Human Settlement projects that had been halted due to land claims as a result there was no movement in the current year and these projects are included in the working in progress.

Properties as disclosed above includes the following categories of properties:

- Building transferred to KSD Municipality by Department of Public Works whereby occupants have not signed lease agreements with the municipality, and
- Vacant land owned by the Municipality with buildings to other parties including Department of Public Works where there are no lease agreements for the land. The Department of Public Works has acknowledged that they have built in the municipality's land and they have requested the municipality to transfer the land to them. The municipality is still awaiting council approval for the transfer back to Department of Public Works.

#### Details of Work In Progress

|                       |                    |                    |
|-----------------------|--------------------|--------------------|
| Community Assets      | 2 725 629          | 1 610 243          |
| Infrastructure Assets | 126 958 283        | 181 364 890        |
| IT equipment          | -                  | 16 480 469         |
|                       | <b>129 683 912</b> | <b>199 455 602</b> |

#### WIP Slow moving / halted projects during the year

| Project Name   | Project: State<br>Date | Project: End<br>Date | Reasons for delays   | Expenditure to<br>Date |
|--|------------------------|----------------------|--|------------------------|
| The Construction of Mncakathini to Phesheya ko Lwalwa Access Roads | 17/06/2020             | 17/06/2021           | Contractor was on hold due to borrow pit issues, and when the contractor went to site performed              | 2 237 682              |
| Mxambule to Jotweni Access Road                                    | 28/10/2019             | 28/09/2020           | The project was delayed by the poor performance of the contractor, the project is currently under penalties. | 5 003 927              |
|  |                        |                      |  | <b>7 241 609</b>       |

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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|  | 2021 | 2020 |
|--|------|------|
|--|------|------|

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

**Compensation received for losses on property, plant and equipment – included in operating profit.**

#### **Assets subject to finance lease**

Included under specialised motor vehicles are 90 vehicles which are under finance lease from Wesbank/FNB with a total carrying amount of R55 265 917 (2020: R75 826 168). Refer to Note 13 "Finance Lease Obligation" for additional information.

#### **Revaluations**

Land, buildings and community assets are re-valued independently after 3 - 5 years. The last revaluation of assets was 2016. These assumptions used were based on current market conditions.

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..

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

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.

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 10. Intangible assets

|                          | 2021             |   | 2020           |   |
|--------------------------|------------------|---|----------------|---|
|                          | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation                                    |
|                          |                  |   |                | Accumulated amortisation and accumulated impairment |
|                          |                  |   |                | Carrying value                                      |
| Computer software, other | 4 011 825        | (2 245 799)   | 1 766 026      | 3 628 977   |
|                          |                  |   |                | (2 039 217)   |
|                          |                  |   |                | 1 589 760   |

### Reconciliation of intangible assets - 2021

|                          |                 |           |              |           |
|--------------------------|-----------------|-----------|--------------|-----------|
| Computer software, other | Opening balance | Additions | Depreciation | Total     |
|                          | 1 589 760       | 382 848   | (206 582)    | 1 766 026 |

### Reconciliation of intangible assets - 2020

|                          |                 |           |              |           |
|--------------------------|-----------------|-----------|--------------|-----------|
| Computer software, other | Opening balance | Additions | Depreciation | Total     |
|                          | 533 429         | 1 212 940 | (156 609)    | 1 589 760 |

### Pledged as security

The municipality does not have any intangible assets that are pledged as security.



# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 11. Heritage assets

|                    | 2021             |                               | 2020                          |                  |
|--------------------|------------------|-------------------------------|-------------------------------|------------------|
|                    | Cost / Valuation | Accumulated impairment losses | Carrying value                | Cost / Valuation |
|                    |                  |                               | Accumulated impairment losses | Carrying value   |
| Recreational parks | 3 201 000        | -                             | 3 201 000                     | -                |
|                    |                  |                               |                               | 3 201 000        |

### Reconciliation of heritage assets 2021

Recreational parks

|                 |           |
|-----------------|-----------|
| Opening balance | 3 201 000 |
| Total           | 3 201 000 |

### Reconciliation of heritage assets 2020

Recreational parks

|                 |           |
|-----------------|-----------|
| Opening balance | 3 201 000 |
| Total           | 3 201 000 |

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

### 12. Other financial liabilities

#### At amortised cost

Annuity Loan DBSA

|   | 2021       | 2020       |
|---|------------|------------|
| Annuity Loan DBSA   | 12 136 362 | 14 654 128 |
| DBSA loan 61001245 was redeemable in March 2018 and borrowing rate is 15%.  |            |            |
| DBSA loan 61003135 is redeemable in December 2020 and borrowing rate is based on the 6 month JIBAR + Margin rate. |            |            |
| DBSA loan 61001048 is redeemable in 2026 and a borrowing rate is 6.75 %.  |            |            |
| At amortised cost   |            |            |
| Annuity Loan PIC  | -          | -          |
| Non-current liabilities   |            |            |
| Designated at amortised cost  | 8 418 165  | 10 459 332 |
| Current liabilities   |            |            |
| Designated at amortised cost  | 3 718 197  | 4 194 796  |

#### At amortised cost

Annuity Loan PIC

#### Non-current liabilities

Designated at amortised cost

#### Current liabilities

Designated at amortised cost

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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|  | 2021              | 2020              |
|--|-------------------|-------------------|
| <b>13. Finance lease obligation</b>                |                   |                   |
| <b>Minimum lease payments due</b>                  |                   |                   |
| - within one year                                  | 27 345 008        | 27 357 196        |
| - in second to fifth year inclusive                | 34 838 445        | 62 321 551        |
|  | 62 183 453        | 89 678 747        |
| less: future finance charges                       | (6 917 536)       | (13 897 177)      |
| <b>Present value of minimum lease payments</b>     | <b>55 265 917</b> | <b>75 781 570</b> |
| <b>Present value of minimum lease payments due</b> |                   |                   |
| - within one year                                  | 22 700 750        | 20 366 489        |
| - in second to fifth year inclusive                | 32 565 167        | 55 415 081        |
|  | <b>55 265 917</b> | <b>75 781 570</b> |
| Non-current liabilities                            | 32 565 167        | 55 459 679        |
| Current liabilities                                | 22 700 750        | 20 366 489        |
|  | <b>55 265 917</b> | <b>75 826 168</b> |

The Wesbank/FNB motor vehicle finance lease contract was entered into during 2018 financial year. The finance lease period is for 5 years and each vehicle's period of lease begins on the delivery date and expires after 5 years. The finance lease balance is R55 265 917 (2019: R75 826 168) and attracts an average interest rate of 10.850% (2020: 10.850%) per annum.

The above was a facility of R120 million and R59.3 million (2019: R59.3 million) has been utilised.

## 14. Payables from exchange transactions

|                                   |                    |                    |
|-----------------------------------|--------------------|--------------------|
| Trade payables                    | 225 260 045        | 271 543 052        |
| BT Ngebs and Whirlprops Creditors | 7 519 298          | 6 944 991          |
| Operating lease smoothing         | 21 572             | 21 571             |
| Deferred interest                 | 20 615             | 20 615             |
| Salaries - Staff Allowances       | 3 464 668          | 4 783 136          |
| Income Received In Advance        | 3 026 852          | 2 694 060          |
| Salary payovers                   | 25 091 988         | 19 458 271         |
| Staff Prepaid Houses              | 1 075 999          | 1 075 999          |
| Study Loans                       | 23 866             | 23 866             |
| Retentions                        | 20 329 888         | 12 222 191         |
| Staff Debtors                     | 332 274            | -                  |
| Unknown Deposits                  | 2 012 627          | 2 801 950          |
| Insurance Claims                  | 2 500              | 2 500              |
| Other payables                    | 28 816 965         | 31 759 750         |
| Deposits received                 | 1 340 164          | 1 167 280          |
| Accrued expense                   | 18 674 560         | 23 789 265         |
| Accrued Leave Pay and Bonus       | 51 590 753         | 50 024 654         |
| Unclaimed Group Life              | 2 014 592          | 2 014 272          |
|                                   | <b>390 619 226</b> | <b>430 347 423</b> |

The fair value of Trade and other payables approximates the carrying amount.

## 15. Consumer deposits

|             |            |            |
|-------------|------------|------------|
| Electricity | 24 215 909 | 21 233 372 |
|-------------|------------|------------|

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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|--|-------------------|-------------------|
| <b>16. Unspent conditional grants and receipts</b>           |                   |                   |
| <b>Unspent conditional grants and receipts comprises of:</b> |                   |                   |
| <b>Unspent conditional grants and receipts</b>               |                   |                   |
| National: Department of Energy- Electrification Projects     | (4 408 783)       | (131 017)         |
| Provincial: Municipal Infrastructure Grant                   | (1 739 527)       | (384 631)         |
| Provincial: Department of Housing                            | 333 652           | 333 652           |
| Provincial: Rural Planning and Survey                        | 126 943           | 126 943           |
| Provincial: KSD Elections- Road Maintenance                  | 109 543           | 109 543           |
| Infrastructure Skills Development                            | (166 622)         | 2 104 825         |
| Human Settlements Projects                                   | 17 645 675        | 3 379 074         |
| Electricity Demand Side Management                           | -                 | 32 394            |
| FMG  | -                 | 1 351 704         |
| Provincial : Organogram Development                          | 294 477           | 294 477           |
| Provincial: MTAB Grant                                       | 514 265           | 514 265           |
| Provincial : Department of Transport- Taxi Rank              | 7 236 277         | 7 236 277         |
|  | <b>19 945 900</b> | <b>14 967 506</b> |

### Movement during the year

|                                      |                   |                   |
|--------------------------------------|-------------------|-------------------|
| Balance at the beginning of the year | 14 967 506        | 14 412 365        |
| Additions during the year            | 119 141 134       | 135 294 507       |
| Income recognition during the year   | (110 673 816)     | (134 739 366)     |
| Roll-over disallowed                 | (3 488 924)       | -                 |
|                                      | <b>19 945 900</b> | <b>14 967 506</b> |

### 17. Provisions

#### Reconciliation of provisions - 2021

|                                   | Opening Balance   | Additions        | Total             |
|-----------------------------------|-------------------|------------------|-------------------|
| Provision for long service awards | 21 285 000        | (486 000)        | 20 799 000        |
| Environmental rehabilitation      | 29 290 138        | 1 610 957        | 30 901 095        |
|                                   | <b>50 575 138</b> | <b>1 124 957</b> | <b>51 700 095</b> |

#### Reconciliation of provisions - 2020

|                                   | Opening Balance   | Additions        | Total             |
|-----------------------------------|-------------------|------------------|-------------------|
| Provision for long service awards | 20 716 957        | 568 043          | 21 285 000        |
| Environmental Rehabilitation      | 27 763 164        | 1 526 974        | 29 290 138        |
|                                   | <b>48 480 121</b> | <b>2 095 017</b> | <b>50 575 138</b> |

#### Environmental rehabilitation provision

The provision relates to the rehabilitation of landfill sites. 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 municipality has two landfill sites (Mthatha and Mqanduli landfill site). At the current valuation date, 30 June 2021, the expected life of the Mthatha and Mqanduli landfill sites is projected to be +/-6 and +/- 6 years respectively .

The Landfill Rehabilitation Provision was calculated by external valuer Enzokuhle Enterprise.

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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|  | 2021 | 2020 |
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### 17. Provisions (continued)

#### Provision for long service awards

Service cost increased the liability by R2 517 000. Interest cost over the valuation period resulted in an increase in liability by R2 517 000. Some of the employees attained milestones during the valuation period and this resulted in bonus payments of R4 030 000 which reduced the accrued liability by the same margin.

The average liability has decreased by 3% since the last valuation due to:

- a decrease in the average earnings,
- a relatively large number of employees reached service milestones over the current period, resulting in a significant increase in the average time until all employees' next milestones, which implies the following, on average:
  - > Lower accrual in respect of upcoming milestones;
  - > A greater chance of withdrawal by then; and
  - > more discounting.

The total liability has decreased by 2% (or R486 000) due to the above, partially offset by the fact that there are 15 more eligible employees than at the last valuation.

#### Provision for long service award

|                        | 2021              | 2020              |
|------------------------|-------------------|-------------------|
| Opening net liability  | 21 285 000        | 20 716 957        |
| Service cost           | 2 517 000         | 2 172 011         |
| Interest cost          | 1 344 000         | 1 511 871         |
| Actuarial gain/ (loss) | (317 000)         | 592 655           |
| Bonus Paid             | (4 030 000)       | (3 708 494)       |
|                        | <b>20 799 000</b> | <b>21 285 000</b> |

### 18. Revaluation reserve

|                 |             |             |
|-----------------|-------------|-------------|
| Opening balance | 383 988 031 | 383 988 031 |
|-----------------|-------------|-------------|

The revaluation reserve arises out of revaluation of land and buildings.

### 19. Self insurance reserve

The self-insurance reserve is established to cater for declined or disputed insurance claims.

|                                    |                  |                  |
|------------------------------------|------------------|------------------|
| Opening balance                    | 3 801 185        | 3 681 232        |
| Movement in self insurance reserve | 33 038           | 119 953          |
|                                    | <b>3 834 223</b> | <b>3 801 185</b> |

### 20. Service charges

|                     |                    |                    |
|---------------------|--------------------|--------------------|
| Sale of electricity | 439 127 277        | 417 935 778        |
| Refuse removal      | 56 562 628         | 54 623 218         |
|                     | <b>495 689 905</b> | <b>472 558 996</b> |

### 21. Rental of facilities and equipment

|                      |            |            |
|----------------------|------------|------------|
| <b>Premises</b>      |            |            |
| Rental of facilities | 79 171     | 214 675    |
| Rental of Equipment  | 1 656 870  | 1 834 288  |
| Premises             | 12 875 813 | 18 085 801 |

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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|--|-------------------|-------------------|
| <b>21. Rental of facilities and equipment (continued)</b>      | <b>14 611 854</b> | <b>20 134 764</b> |
| <b>22. Licences and permits (exchange)</b>                     |                   |                   |
| Permits - Vending and Hawking                                  | 96 108            | 152 816           |
| Motor vehicle registration fees                                | 9 872 187         | 7 000 930         |
| Licence fees - Drivers Licence                                 | 4 258 047         | 3 281 308         |
| Licence fees - Business  | 776 627           | 1 147 904         |
|  | <b>15 002 969</b> | <b>11 582 958</b> |
| <b>23. Other Income</b>  |                   |                   |
| Building plan approvals  | 1 520 540         | 867 810           |
| Call out revenue   | 212 673           | 101 136           |
| Disconnection fees   | 4 278 122         | 818 976           |
| Library fees   | 10 104            | 52 633            |
| Department of Transport SLA - Roads                            | 10 072 597        | 11 090 811        |
| Insurance Claims   | 337 674           | 59 441            |
| Meter testing  | 2 144 294         | 722 279           |
| Sundry income  | 522 922           | 615 053           |
| Recoveries   | -                 | (15 174)          |
| Pound fees   | -                 | 35 588            |
| Fire levy and other fees earned                                | 9 689 906         | 14 658 705        |
| Printing and stationery recoveries                             | 13 454            | 170 220           |
| Amatola Water Board  | 17 559 219        | 39 423 337        |
|  | <b>46 361 505</b> | <b>68 600 815</b> |
| <b>24. Investment revenue</b>                                  |                   |                   |
| <b>Interest revenue</b>  |                   |                   |
| Interest from investments and bank                             | 1 361 235         | 1 607 992         |
| Interest charged on receivables from exchange transactions     | 21 581 263        | 25 084 995        |
| Interest charged on receivables from non exchange transactions | 20 608 558        | 24 413 188        |
|  | <b>43 551 056</b> | <b>51 106 175</b> |

# King Sabata Dalindyebo Local Municipality

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|--|-----------------------|-----------------------|
| <b>25. Fair value adjustments</b>      |                       |                       |
| Investment property (Fair value model) | 11 828 981            | 4 457 358             |
| <b>26. Property rates</b>              |                       |                       |
| <b>Rates received</b>                  |                       |                       |
| State                                  | 83 022 102            | 73 962 954            |
| Residential                            | 56 448 658            | 47 889 930            |
| Commercial                             | 106 175 079           | 96 357 461            |
| Municipal - parking                    | 178 658               | 140 878               |
|  | <b>245 824 497</b>    | <b>218 351 223</b>    |
| <b>Valuations</b>                      |                       |                       |
| Residential                            | 7 099 007 000         | 7 067 536 000         |
| Commercial                             | 6 244 511 600         | 6 233 003 100         |
| State                                  | 2 781 171 000         | 2 781 171 000         |
| Municipal                              | 1 231 096 000         | 1 231 096 000         |
| Small holdings, farms and agriculture  | 5 033 000             | 5 033 000             |
| Places of public worship               | 216 305 000           | 216 305 000           |
| Vacant Land                            | 1 076 652 500         | 1 057 617 500         |
| Public Benefit organisation            | 178 146 000           | 178 146 000           |
|  | <b>18 831 922 100</b> | <b>18 769 907 600</b> |

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The next general valuation will come into effect in July 2021. The municipality is still using the 2014 general valuation, an extension of the 2014 general valuation was granted by the MEC COGTA.

# King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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### 27. Government grants and subsidies

#### Operating grants

|  |                    |                    |
|--|--------------------|--------------------|
| Equitable share                          | 427 510 644        | 329 194 000        |
| VAT Operational                          | 264 832            | 1 461 313          |
| Library Grant                            | 1 750 000          | 1 750 000          |
| Expanded Public Program Grant            | 3 610 176          | 2 595 449          |
| Electricity Demand Side Management Grant | -                  | 7 059 308          |
| SETA Grant                               | -                  | 1 245 799          |
| Various grants                           | 2 173 913          | -                  |
| MIG                                      | 4 479 717          | 4 217 522          |
| LLR Chamber of Mines                     | -                  | 352 882            |
| Disaster Management Grant                | -                  | 3 062 710          |
| FMG                                      | 2 429 509          | 1 260 283          |
| Urban Renewal                            | -                  | 2 065 923          |
| Infrastructure Skills Development        | 5 405 559          | 4 268 500          |
|  | <b>447 624 350</b> | <b>358 533 689</b> |

#### Capital grants

|  |                   |                    |
|--|-------------------|--------------------|
| Provincial: Infrastructure Intervention      | -                 | 4 177 937          |
| Fire Station Refurbishment                   | -                 | 155 714            |
| MIG  | 72 499 027        | 78 127 370         |
| VAT Capital                                  | 9 901 209         | 4 912 868          |
| Municipal Electrification Intervention COGTA | -                 | 1 733 000          |
| Human Settlement                             | 8 048 533         | 13 941 871         |
| DOE Grant                                    | 5 893 710         | 14 031 280         |
|  | <b>96 342 479</b> | <b>117 080 040</b> |

**543 966 829 475 613 729**

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

|                                      |                    |                    |
|--------------------------------------|--------------------|--------------------|
| Conditional grants received:         | -                  | -                  |
| Various Conditional grants received  | 106 290 144        | 140 045 548        |
| VAT Operational                      | 264 832            | 1 461 313          |
| VAT Capital                          | 9 901 209          | 4 912 868          |
| <b>Unconditional grants received</b> |                    |                    |
| Equitable Share                      | 427 510 644        | 329 194 000        |
|                                      | <b>543 966 829</b> | <b>475 613 729</b> |

#### Equitable Share

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

All registered indigents receive a monthly subsidy of R 10 222 330 - (2020: R15 044 456 -), which is funded from the grant.



# King Sabata Dalindyebo Local Municipality

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|   | 2021               | 2020             |
|---|--------------------|------------------|
| <b>27. Government grants and subsidies (continued)</b>        |                    |                  |
| <b>Human Settlements ISUP</b>                                 |                    |                  |
| Balance unspent at beginning of year                          | 3 379 074          | 3 386 659        |
| Current-year receipts   | 22 315 134         | 13 943 463       |
| Conditions met - transferred to revenue                       | (8 048 533)        | (13 951 048)     |
|   | <b>17 645 675</b>  | <b>3 379 074</b> |
| Conditions still to be met - remain liabilities (see note16). |                    |                  |
| <b>Electricity Demand Site Management</b>                     |                    |                  |
| Balance unspent at beginning of year                          | 32 394             | 144 036          |
| Current-year receipts   | -                  | 8 000 000        |
| Conditions met - transferred to revenue                       | -                  | (8 111 642)      |
| Rollover not approved   | (32 394)           | -                |
|   | <b>-</b>           | <b>32 394</b>    |
| Conditions still to be met - remain liabilities (see note16). |                    |                  |
| <b>Provincial: MTAB Grant</b>                                 |                    |                  |
| Balance unspent at beginning of year                          | 514 265            | 514 265          |
| Current-year receipts   | -                  | -                |
|   | <b>514 265</b>     | <b>514 265</b>   |
| Conditions still to be met - remain liabilities (see note16). |                    |                  |
| <b>Municipal Infrastructure Grant</b>                         |                    |                  |
| Balance unspent at beginning of year                          | (384 631)          | (590 956)        |
| Current-year receipts   | 84 641 000         | 85 879 000       |
| Conditions met - transferred to revenue                       | (85 995 896)       | (85 672 675)     |
|   | <b>(1 739 527)</b> | <b>(384 631)</b> |
| Conditions still to be met - remain liabilities (see note16). |                    |                  |
| <b>National: Financial Management Grant</b>                   |                    |                  |
| Balance unspent at beginning of year                          | 1 351 704          | -                |
| Current-year receipts   | 2 500 000          | 2 680 000        |
| Conditions met - transferred to revenue                       | (2 500 000)        | (1 328 296)      |
| Rollover not approved   | (1 351 704)        | -                |
|   | <b>-</b>           | <b>1 351 704</b> |
| Conditions still to be met - remain liabilities (see note16). |                    |                  |

# King Sabata Dalindyebo Local Municipality

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|   | 2021           | 2020           |
|---|----------------|----------------|
| <b>27. Government grants and subsidies (continued)</b>        |                |                |
| <b>Provincial: Rural planning &amp; survey</b>                |                |                |
| Balance unspent at beginning of year                          | 126 943        | 126 943        |
| Current-year receipts   | -              | -              |
| Conditions met - transferred to revenue                       | -              | -              |
|   | <b>126 943</b> | <b>126 943</b> |
| Conditions still to be met - remain liabilities (see note16). |                |                |
| <b>Provincial: KSD Elections- Road Maintenance</b>            |                |                |
| Balance unspent at beginning of year                          | 109 543        | 109 543        |
| Current-year receipts   | -              | -              |
| Conditions met - transferred to revenue                       | -              | -              |
|   | <b>109 543</b> | <b>109 543</b> |
| Conditions still to be met - remain liabilities (see note16). |                |                |
| <b>Department of Housing and Local Government</b>             |                |                |
| Balance unspent at beginning of year                          | 333 652        | 333 652        |
| Current-year receipts   | -              | -              |
|   | <b>333 652</b> | <b>333 652</b> |
| Conditions still to be met - remain liabilities (see note16). |                |                |
| <b>Library Grant</b>  |                |                |
| Current-year receipts   | 1 750 000      | 1 750 000      |
| Conditions met - transferred to revenue                       | (1 750 000)    | (1 750 000)    |
|   | -              | -              |
| Conditions still to be met - remain liabilities (see note16). |                |                |
| <b>Provincial: Urban Renewal Grant</b>                        |                |                |
| Balance unspent at beginning of year                          | -              | 2 375 811      |
| Conditions met - transferred to revenue                       | -              | (2 375 811)    |
|   | -              | -              |
| Conditions still to be met - remain liabilities (see note16). |                |                |
| <b>Infrastructure Skills Development</b>                      |                |                |
| Balance unspent at beginning of year                          | 2 104 825      | -              |
| Current-year receipts   | 5 435 000      | 6 500 000      |
| Conditions met - transferred to revenue                       | (5 601 622)    | (4 395 175)    |
| Rollover not approved   | (2 104 825)    | -              |

# King Sabata Dalindyebo Local Municipality

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|  | 2021               | 2020             |
|--|--------------------|------------------|
| <b>27. Government grants and subsidies (continued)</b>                             |                    |                  |
|  | <b>(166 622)</b>   | <b>2 104 825</b> |
| Conditions still to be met - remain liabilities (see note16).                      |                    |                  |
| <b>Organogram Development Grant</b>  |                    |                  |
| Balance unspent at beginning of year   | 294 477            | 294 477          |
| Conditions still to be met - remain liabilities (see note16).                      |                    |                  |
| <b>Department of Transport</b>   |                    |                  |
| Balance unspent at beginning of year   | 7 236 277          | 7 236 277        |
| Conditions still to be met - remain liabilities (see note16).                      |                    |                  |
| <b>Covid: Disaster Management Grant</b>  |                    |                  |
| Current-year receipts  | -                  | 3 277 000        |
| Conditions met - transferred to revenue  | -                  | (3 277 000)      |
|  | -                  | -                |
| Conditions still to be met - remain liabilities (see note16).                      |                    |                  |
| Provide explanations of conditions still to be met and other relevant information. |                    |                  |
| <b>Provincial Fire Station Refurbishment Grant</b>                                 |                    |                  |
| Balance unspent at beginning of year   | -                  | 155 714          |
| Conditions met - transferred to revenue  | -                  | (155 714)        |
|  | -                  | -                |
| Conditions still to be met - remain liabilities (see note16).                      |                    |                  |
| <b>LLR Chamber of Mines</b>  |                    |                  |
| Balance unspent at beginning of year   | -                  | 352 882          |
| Conditions met - transferred to revenue  | -                  | (352 882)        |
|  | -                  | -                |
| Conditions still to be met - remain liabilities (see note16).                      |                    |                  |
| <b>National: Department of Energy - Electrification Projects</b>                   |                    |                  |
| Balance unspent at beginning of year   | (131 017)          | (26 938)         |
| Current-year receipts  | 2 500 000          | 15 000 000       |
| Conditions met - transferred to revenue  | (6 777 766)        | (15 104 079)     |
|  | <b>(4 408 783)</b> | <b>(131 017)</b> |

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Annual Financial Statements for the year ended 30 June 2021

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|  | 2021 | 2020 |
|--|------|------|
|--|------|------|

### 27. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note16).

#### Human Settlements - Graduates

|   |   |          |
|---|---|----------|
| Balance unspent at beginning of year    | - | (45 290) |
| Current-year receipts                   | - | 127 794  |
| Conditions met - transferred to revenue | - | (82 504) |
|   | - | -        |

Conditions still to be met - remain liabilities (see note16).

#### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

### 28. Fines, Penalties and Forfeits

|                                |                  |                  |
|--------------------------------|------------------|------------------|
| Service Provider Traffic Fines | 58 604           | 8 400            |
| Municipal Traffic Fines        | 4 079 869        | 2 116 824        |
| Tender Withdrawal Penalties    | 10 000           | -                |
|                                | <b>4 148 473</b> | <b>2 125 224</b> |

All outstanding traffic fines have been impaired due to uncertainty of recovery, these debts by their nature can be contested in the courts or through application of fine relief.

### 29. Public contributions and donations

|                                    |            |   |
|------------------------------------|------------|---|
| Public contributions and donations | 11 969 770 | - |
|------------------------------------|------------|---|

The 2021 donations received were from National Department of Environmental Affairs with immovables and movable assets in Coffee Bay. In the prior financial year there was no donations or financial assistance received.

### 30. Lease rentals on operating lease

|                       |                  |                  |
|-----------------------|------------------|------------------|
| <b>Premises</b>       |                  |                  |
| Contractual amounts   | 4 250 402        | 386 030          |
| <b>Motor vehicles</b> |                  |                  |
| Contractual amounts   | 426 608          | 73 613           |
| <b>Equipment</b>      |                  |                  |
| Contractual amounts   | 3 230 836        | 3 428 877        |
|                       | <b>7 907 846</b> | <b>3 888 520</b> |

# King Sabata Dalindyebo Local Municipality

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|                                      | 2021                 | 2020                 |
|--------------------------------------|----------------------|----------------------|
| <b>31. Revenue</b>                   |                      |                      |
| Service charges                      | 495 689 905          | 472 558 996          |
| Rental of facilities and equipment   | 14 611 854           | 20 134 764           |
| Licences and permits                 | 15 002 969           | 11 582 958           |
| Other income                         | 46 361 505           | 68 600 815           |
| Interest received                    | 22 942 498           | 26 692 987           |
| Property rates                       | 245 824 497          | 218 351 223          |
| Interest, Dividends and Rent on Land | 20 608 558           | 24 413 189           |
| Government grants & subsidies        | 543 966 829          | 475 613 729          |
| Public contributions and donations   | 11 969 770           | -                    |
| Fines, Penalties and Forfeits        | 4 148 473            | 2 125 224            |
|                                      | <b>1 421 126 858</b> | <b>1 320 073 885</b> |

The amount included in revenue arising from exchanges of goods or services are as follows:

|                                    |                    |                    |
|------------------------------------|--------------------|--------------------|
| Service charges                    | 495 689 905        | 472 558 996        |
| Rental of facilities and equipment | 14 611 854         | 20 134 764         |
| Licences and permits               | 15 002 969         | 11 582 958         |
| Other income                       | 46 361 505         | 68 600 815         |
| Interest received                  | 22 942 498         | 26 692 987         |
|                                    | <b>594 608 731</b> | <b>599 570 520</b> |

The amount included in revenue arising from non-exchange transactions is as follows:

|                                      |                    |                    |
|--------------------------------------|--------------------|--------------------|
| <b>Taxation revenue</b>              |                    |                    |
| Property rates                       | 245 824 497        | 218 351 223        |
| Interest, Dividends and Rent on Land | 20 608 558         | 24 413 189         |
| <b>Transfer revenue</b>              |                    |                    |
| Financial Assistance                 | 543 966 829        | 475 613 729        |
| Public contributions and donations   | 11 969 770         | -                  |
| Other transfer revenue               | 4 148 473          | 2 125 224          |
|                                      | <b>826 518 127</b> | <b>720 503 365</b> |

## 32. Employee related costs

|  |                    |                    |
|--|--------------------|--------------------|
| Basic  | 302 289 797        | 285 370 062        |
| Acting allowances  | 3 424 347          | 2 407 414          |
| Overtime payments  | 29 352 514         | 31 745 184         |
| Bonus- Annual Leave  | 22 207 160         | 19 872 294         |
| Medical aid - company contributions                                | 25 737 769         | 24 043 938         |
| Pension and Provident Fund Contribution                            | 46 159 593         | 42 091 937         |
| UIF  | 2 707 539          | 2 435 200          |
| WCA  | 190 300            | 3 549 564          |
| SDL  | 418 297            | 412 794            |
| Leave pay provision charge   | 4 084 233          | (5 146 710)        |
| Travel, motor car, accommodation, subsistence and other allowances | 21 832 239         | 20 900 446         |
| Long-service awards  | 5 985 167          | 6 878 945          |
| Housing benefits and allowances                                    | 26 756 664         | 24 374 069         |
| Termination benefits   | 8 553 058          | 5 916 624          |
|  | <b>499 698 677</b> | <b>464 851 761</b> |

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|--|------------------|------------------|
| <b>32. Employee related costs (continued)</b>  |                  |                  |
| <b>Remuneration of municipal manager - Mr N Pakade</b>   |                  |                  |
| Annual Remuneration  | 1 108 655        | 1 474 056        |
| Backpay  | -                | 37 747           |
| Contributions to UIF, Medical and Pension Funds  | 81 813           | 3 569            |
| Other  | 385 917          | 77 401           |
|  | <b>1 576 385</b> | <b>1 592 773</b> |
| <b>Remuneration of chief finance officer - Mr EF Jiholo</b>  |                  |                  |
| Annual Remuneration  | 856 476          | 1 205 379        |
| Back pay   | -                | 35 640           |
| Contributions to UIF, Medical and Pension Funds  | 1 813            | 3 569            |
| Other  | 585 082          | 195 991          |
|  | <b>1 443 371</b> | <b>1 440 579</b> |
| <b>Remuneration of Director: Community Services - Mr LP Maka</b>                                     |                  |                  |
| Annual Remuneration  | 1 427 459        | 1 391 819        |
| Back pay   | -                | 35 640           |
| Contributions to UIF, Medical and Pension Funds  | 1 813            | 3 569            |
| Other  | 21 624           | 24 032           |
| Acting Allowance   | 4 878            | 6 177            |
|  | <b>1 455 774</b> | <b>1 461 237</b> |
| Mr LP Maka was appointed to act as Municipal Manager from 19th December 2020 till 04th January 2021. |                  |                  |
| <b>Remuneration of Director: Corporate services - Mr S Nodo</b>                                      |                  |                  |
| Annual Remuneration  | 758 664          | 1 067 722        |
| Backpay  | -                | 31 570           |
| Acting Allowance   | 17 273           | 3 787            |
| Contributions to UIF, Medical and Pension Funds  | 234 655          | 79 598           |
| Other  | 279 395          | 84 852           |
|  | <b>1 289 987</b> | <b>1 267 529</b> |
| Mr S Nodo was appointed to act as Municipal Manager on the 21st August 2020.                         |                  |                  |
| Mr S Nodo was appointed to act as Municipal Manager on the 8th December till 19th December 2020.     |                  |                  |
| <b>Remuneration of Director : Human Settlements - Mrs NN Soldati</b>                                 |                  |                  |
| Annual Remuneration  | -                | 1 134 006        |
| Backpay  | -                | 35 640           |
| Acting Allowance   | -                | 15 228           |
| Contributions to UIF, Medical and Pension Funds  | -                | 35 070           |
| Other  | -                | 113 826          |
|  | <b>-</b>         | <b>1 333 770</b> |
| Mrs NN Soldati resigned on the 31st of May 2020.   |                  |                  |

# King Sabata Dalindyebo Local Municipality

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|  | 2021 | 2020 |
|--|------|------|
|--|------|------|

### 32. Employee related costs (continued)

#### Remuneration of Director: Local Economic Development - Mr AO Pantswa

|   |                  |                  |
|---|------------------|------------------|
| Annual Remuneration                             | 918 553          | 918 553          |
| Contributions to UIF, Medical and Pension Funds | 79 813           | 65 569           |
| Other   | 597 276          | 634 763          |
|   | <b>1 595 642</b> | <b>1 618 885</b> |

#### Remuneration of Director : Human Settlements- Miss GR Tobia

|   |                |          |
|---|----------------|----------|
| Annual Remuneration                             | 603 730        | -        |
| Contributions to UIF, Medical and Pension Funds | 921            | -        |
| Other   | 6 037          | -        |
|   | <b>610 688</b> | <b>-</b> |

Miss GR Tobia was appointed on the 1st January 2021.

# King Sabata Dalindyebo Local Municipality

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|--|------------------|----------------|
| <b>32. Employee related costs (continued)</b>                  |                  |                |
| <b>Remuneration of Director : Infrastructure : Mr Mnqokoyi</b> |                  |                |
| Annual Remuneration  | 758 664          | 657 722        |
| Backpay  | -                | 32 007         |
| Acting Allowance   | 8 074            | -              |
| Contributions to UIF, Medical and Pension Funds                | 314 843          | 103 401        |
| Other  | 212 413          | 68 477         |
|  | <b>1 293 994</b> | <b>861 607</b> |

Mr U Mnqokoyi was appointed to act as Municipal Manager on the 9th October 2020.

Mr U Mnqokoyi was appointed to act as Municipal Manager from the 19th November till 27th November 2020.

### Remuneration of Director: Public Safety - Mr D Kettledas

|   |                  |                  |
|---|------------------|------------------|
| Annual Remuneration                             | 1 206 856        | 1 244 690        |
| Backpay   | -                | 30 992           |
| Contributions to UIF, Medical and Pension Funds | 1 813            | 3 569            |
| Other   | 9 309            | 11 645           |
|   | <b>1 217 978</b> | <b>1 290 896</b> |

### Remunerations of Acting Directors:

|  |   |         |
|--|---|---------|
| Acting Allowance - Mr Gwadiso - Acting Director Technical Services | - | 128 733 |
|--|---|---------|



# King Sabata Dalindyebo Local Municipality

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|--|-------------------|-------------------|
| <b>33. Remuneration of councillors</b> |                   |                   |
| Mayor - GN Nelani                      | 941 115           | 938 250           |
| Chief Whip - Nyoka                     | 719 304           | 725 515           |
| Speaker -TG Maqoko                     | 762 187           | 759 478           |
| Executive committees                   | 6 961 688         | 5 981 054         |
| Councillors                            | 18 870 786        | 19 895 627        |
|  | <b>28 255 080</b> | <b>28 299 924</b> |
| <b>Executive Mayor- Mr Nelani</b>      |                   |                   |
| Basic                                  | 893 850           | 862 336           |
| Backpay basic                          | -                 | 31 514            |
| Cellphone                              | 40 800            | 40 800            |
| Data card                              | 3 600             | 3 600             |
| Solidarity Refund                      | 2 865             | -                 |
|  | <b>941 115</b>    | <b>938 250</b>    |
| <b>Speaker : Miss TG Maqoko</b>        |                   |                   |
| Basic                                  | 715 078           | 689 867           |
| Backpay                                | -                 | 25 211            |
| Cellphone                              | 40 800            | 40 800            |
| Subsistence Allowance                  | 417               | -                 |
| Data Cards                             | 3 600             | 3 600             |
| Solidarity Refund                      | 2 292             | -                 |
|  | <b>762 187</b>    | <b>759 478</b>    |
| <b>Chief Whip : Mr M Nyoka</b>         |                   |                   |
| Basic                                  | 670 387           | 646 752           |
| Backpay                                | -                 | 23 635            |
| Cellphone                              | 40 800            | 40 800            |
| Subsistence Allowance                  | 2 368             | 10 728            |
| Data Cards                             | 3 600             | 3 600             |
| Solidarity Refund                      | 2 149             | -                 |
|  | <b>719 304</b>    | <b>725 515</b>    |
| <b>Executive Committees</b>            |                   |                   |
| Basic                                  | 6 160 596         | 5 034 598         |
| Backpay                                | -                 | 214 761           |
| Cellphone                              | 448 800           | 410 153           |
| Solidarity refund                      | 7 892             | -                 |
| Data Card                              | 39 600            | 36 190            |
| Travelling                             | 304 800           | 270 900           |
| Subsistence allowance                  | -                 | 14 452            |
|  | <b>6 961 688</b>  | <b>5 981 054</b>  |
| <b>All other Councillors</b>           |                   |                   |
| Basic                                  | 15 626 084        | 15 765 697        |
| Backpay                                | -                 | 877 259           |
| Cellphone                              | 2 310 684         | 2 336 977         |
| Data card                              | 203 884           | 254 834           |
| Solidarity refund                      | 27 149            | -                 |
| Travelling                             | 702 986           | 636 247           |
| Mayoral Committee Members              | -                 | 24 615            |
|  | <b>18 870 787</b> | <b>19 895 629</b> |

# King Sabata Dalindyebo Local Municipality

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|   | 2021               | 2020               |
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| <b>33. Remuneration of councillors (continued)</b>  |                    |                    |
| <b>In-kind benefits</b>   |                    |                    |
| The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. |                    |                    |
| The Executive Mayor and the Speaker of the Council have the use of separate Council owned vehicles for official duties.                                       |                    |                    |
| The current Executive Mayor, Speaker and Chief Whip were appointed from 1st of May 2019.  |                    |                    |
| <b>34. Depreciation and amortisation</b>  |                    |                    |
| Property, plant and equipment   | 164 629 824        | 179 018 816        |
| Intangible assets   | 206 582            | 156 609            |
|   | <b>164 836 406</b> | <b>179 175 425</b> |
| <b>35. Impairment loss</b>  |                    |                    |
| <b>Impairments</b>  |                    |                    |
| Property, plant and equipment   | -                  | 30 937 310         |
| <b>36. Finance costs</b>  |                    |                    |
| Interest on overdue accounts trade and other payables   | 19 665 326         | 24 475 235         |
| Borrowings  | 7 865 780          | 10 293 711         |
| Interest on provision landfill site   | 1 610 958          | 1 526 974          |
|   | <b>29 142 064</b>  | <b>36 295 920</b>  |
| <b>37. Debt impairment</b>  |                    |                    |
| Impairment of debtors   | 4 321 658          | 117 035 622        |
| <b>38. Bulk purchases</b>   |                    |                    |
| Electricity - Eskom   | 322 019 740        | 315 810 587        |

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|---|-------------------|-------------------|
| <b>39. Contracted services</b>          |                   |                   |
| <b>Presented previously</b>             |                   |                   |
| Information Technology Services         | 6 013 200         | 4 000 454         |
| Specialist Services                     | 3 259 229         | 1 535 373         |
| Other Contractors                       | 7 448 349         | 5 194 258         |
|   | <b>16 720 778</b> | <b>10 730 085</b> |
| <b>40. Grants and Subsidies paid</b>    |                   |                   |
| <b>Other subsidies</b>                  |                   |                   |
| Other grants                            | 245 790           | -                 |
| Municipal systems improvement grant     | 600 231           | -                 |
| Council ward committees                 | 10 620 600        | 10 780 498        |
| SETA                                    | 29 204            | -                 |
| Bursaries                               | 764 621           | 31 278            |
| Community participation                 | 3 871 520         | 3 559 530         |
| Public expense                          | 1 800 515         | 376 138           |
| Expanded Public works program           | 7 136 694         | 3 744 880         |
| Department of Local Government          | 1 135 639         | 2 205 110         |
| Electricity demand side management      | -                 | 6 955 788         |
| Infrastructure skills development grant | 41 344            | 1 010             |
| Finance Management Grant                | 2 536 010         | 1 064 800         |
| Ward based budgeting                    | 5 156 534         | 2 508 976         |
| Ward based budgeting                    | 137 001           | 401 333           |
| Indigent Subsidy                        | 28 259 453        | 15 044 456        |
| Grant Expenditure                       | -                 | 444 826           |
|   | <b>62 335 156</b> | <b>47 118 623</b> |
| <b>41. General expenses</b>             |                   |                   |
| Advertising                             | 475 093           | 495 985           |
| Audit committee expenses                | 391 987           | 906 563           |
| Auditors remuneration                   | 9 358 174         | 10 791 051        |
| Bank Charges                            | 1 851 518         | 1 419 266         |
| Capital expenditure                     | 691 138           | 59 984            |
| Cleaning materials                      | 5 350 513         | 2 451 766         |
| Commission paid                         | 3 084 624         | 2 753 847         |
| Community cleaning project              | 1 146 100         | 1 310 322         |
| Community development and training      | 2 432 393         | 1 228 876         |
| Conferences and seminars                | 547 378           | 1 141 904         |
| Consulting and professional fees        | 4 878 529         | 7 567 045         |
| Debt incentive                          | 13 626 656        | -                 |
| Donations                               | 563 500           | 913 848           |
| Entertainment                           | 69 633            | 213 496           |
| Erven Cleaning Fees                     | 95 572            | 131 058           |
| Fuel and oil                            | 9 724 943         | 8 878 710         |
| Incentive - Prompt Payment              | 1 428 254         | 1 543 407         |
| Informal Trading Assistance             | 262 500           | -                 |
| Insurance                               | 5 531 941         | 4 301 626         |
| LA Equipment & Tools - Vulindlela       | 122 479           | -                 |
| Legal Fees                              | 9 328 425         | 6 148 088         |
| Levies                                  | 10 112 218        | 11 556 070        |
| Magazines, books and periodicals        | -                 | 18 655            |
| Material & Stores                       | 2 989 695         | 2 563 744         |
| Motor vehicle expenses                  | 1 649 576         | 1 432 414         |
| Municipal Service Charges               | 14 169 222        | 9 593 200         |
| Other expenses                          | 2 411 825         | 2 376 904         |
| Printing and stationery                 | 1 173 431         | 1 380 277         |
| Promotions and sponsorships             | 18 689            | 746 014           |
| Recruitment Expenses                    | 328 213           | 263 202           |
| Rehabilitation of Tip Sites             | 213 822           | 521 778           |

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|--|--------------------|--------------------|
| <b>41. General expenses (continued)</b>  |                    |                    |
| Repairs and maintenance  | 52 522 975         | 65 015 673         |
| Royalties and license fees   | 10 579 595         | 1 406 990          |
| Seed, Bulbs & Plants   | 191 890            | -                  |
| Software expenses  | -                  | 120 900            |
| Solid waste management   | -                  | 68 000             |
| Staff welfare  | 16 651             | 9 027              |
| Subscriptions and Membership Fees  | 27 129             | 3 675              |
| Subsistence & Travelling   | 2 029 698          | 3 099 483          |
| Telephone and fax  | 8 238 214          | 11 075 343         |
| Tourism Development  | 62 150             | 193 890            |
| Training   | 1 769 109          | 1 780 007          |
| Uniforms   | 4 908 175          | 2 779 206          |
| Valuation expenses   | 2 167 329          | 714 296            |
|  | <b>186 540 956</b> | <b>168 975 590</b> |
| <b>42. Auditors' remuneration</b>  |                    |                    |
| Fees   | 9 358 174          | 10 791 051         |
| <b>43. Cash generated from operations</b>  |                    |                    |
| Surplus (deficit)  | 110 074 763        | (87 005 160)       |
| <b>Adjustments for:</b>  |                    |                    |
| Depreciation and amortisation  | 164 836 406        | 179 175 425        |
| Loss on sale of assets and liabilities   | 1 102 715          | 8 417 035          |
| Fair value adjustments   | (11 828 981)       | (4 457 358)        |
| Impairment deficit   | -                  | 30 937 310         |
| Debt impairment  | 4 321 658          | 117 035 622        |
| Sundry debtors movement affecting employee costs                                       | 88 356             | -                  |
| Public Contributions   | (11 969 770)       | (1 543 288)        |
| Other non-cash items - Leave pay Provision   | -                  | 5 146 710          |
| Other non-cash items - Landfil Site Provision  | -                  | (2 095 017)        |
| <b>Other non-cash items - Financial assistance</b>                                     |                    |                    |
| Inventories  | (3 468 961)        | (69 378 379)       |
| Receivables from exchange transactions   | (7 501 284)        | (10 236 185)       |
| Movement in provision for debt impairment - Receivables from Exchange Transactions     | 647 898            | (3 689 062)        |
| Receivables from non-exchange transactions   | (16 552 853)       | 2 181 791          |
| Movement in provision for debt impairment - Receivables from Non Exchange Transactions | (4 969 556)        | -                  |
| Debt Incentive   | (13 626 656)       | -                  |
| Payables from exchange transactions  | (39 728 197)       | 37 245 312         |
| VAT Receivable   | 7 498 463          | 8 824 270          |
| VAT Payable  | (6 793 812)        | -                  |
| Unspent conditional grants and receipts  | 4 978 394          | 555 141            |
| Consumer deposits  | 2 982 537          | 3 052 413          |
| Provision and Obligations  | 1 124 957          | (16 236 884)       |
|  | <b>181 216 077</b> | <b>197 929 696</b> |
| <b>44. Budget differences</b>  |                    |                    |
| <b>Material differences between budget and actual amounts</b>                          |                    |                    |

# King Sabata Dalindyebo Local Municipality

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### 44. Budget differences (continued)

Only variances exceeding 10% are considered material and have been explained below.

#### Service charges:

Undercollection is due to a decrease in demand for electricity as well as undercollection in refuse removal. This was due to the impact of COVID 19 lockdown.

#### Rental of facilities and equipment:

Undercollection in rental of Municipal facilities due to COVID 19 lockdown, the demand for the services was also reduced based on lockdown restrictions on meetings and events.

#### Licence and permits:

Undercollection in Licences and permits was largely also impacted by the COVID19 lockdown period as registration of motor vehicle licencing was suspended.

#### Other income:

This is due to SLA between Roads Section and Department of Transport whereby the Municipality would be required to do work on behalf of the Department and the Municipality budgeted for that revenue and the municipality did not get enough work from the Department to recognise revenue.

#### Interest received:

This was due largely to the significant difference in Investments and also the fact the Debtor have been making payment arrangements for their outstanding debts.

#### Government Grants and Subsidies:

The increase was due to additional allocation made.

#### Fines, Penalties and Forfeits:

Undercollection is due to the hard COVID19 lockdown.

#### Depreciation:

This is due to addition of assets lesser than anticipated resulting in less depreciation for the period.

#### Finance Cost:

This is due to interest and penalties charged on amount owed to creditors. The major contribution is SARS who charged interest and penalties on late payments and submission of VAT returns late that were not budgeted for.

#### Lease rentals on operating lease:

This is largely due to the fact that the hire charges were incurred for hiring of plant to assist with repairs of roads that were not budgeted for.

#### Bulk Purchases:

Demand was reduced during the lockdown period as businesses were closed and there was load shedding which affected everybody nationwide.

#### Debt impairment:

This is due to implementation of incentive policy as debtors were paying during the year.

#### Grants and subsidies paid:

This is due to underspending during the lockdown period.

#### Contracted Services:

This is due to underspending during the lockdown period.

#### General expenses:

# King Sabata Dalindyebo Local Municipality

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|---|------------|------------|
| <b>44. Budget differences (continued)</b>   |            |            |
| This is due to overspending on the following items :-   |            |            |
| Audit fees by 7,123,703   |            |            |
| Municipal Service Charges by 6,839,560  |            |            |
| Legal fees by 4,717,025   |            |            |
| Hire Charges transport internal by 4,058,628  |            |            |
| Insurance by 3,332,728  |            |            |
| Leave pay by 2,043,815.   |            |            |
| <b>Fair Value adjustment:</b>   |            |            |
| This is dependent on the valuation changes of the investment properties that fluctuates from year to year and was not budgeted for.   |            |            |
| <b>Gains on disposal of PPE:</b>  |            |            |
| This is due to revenue received in auction during December 2020 which was less than budgeted for.   |            |            |
| <b>45. Commitments</b>  |            |            |
| <b>Authorised capital expenditure</b>   |            |            |
| <b>Already contracted for but not provided for</b>  |            |            |
| • Property, plant and equipment   | 84 331 259 | 68 434 538 |
| <b>Total capital commitments</b>  |            |            |
| Already contracted for but not provided for   | 84 331 259 | 68 434 538 |
| This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc. |            |            |

# King Sabata Dalindyebo Local Municipality

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### 46. Contingencies

At year end the municipality had the following contingent assets and contingent liabilities.

#### Pending litigations and claims

Disclose:

- any contingent liabilities that the venturer has incurred in relation to its interest in joint ventures and its share in each of the contingent liabilities that have been incurred jointly with other ventures.
- its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable, and
- those contingent liabilities that arise because the venturers is contingently liable for the liabilities of the other venturers of a joint venture.

#### Cases

|  | 2021       | 2020       |
|--|------------|------------|
| Claims for damages related to motor vehicles   | 2 540 000  | 1 340 000  |
| Claims for damages arising out of the electrocution, Claims for damages for emotional shock and trauma, funeral expenses, claims for assault, and other claims for damages                             | 52 928 078 | 21 342 000 |
| Claims related to unlawful arrests and detentions  | 5 820 000  | 4 875 000  |
| Consolidated container/ caravans matters that were impounded when the Municipality embarked on a clean up campaign.  | 10 339 511 | 15 849 200 |
| Labour matters: claims for acting allowance, claims for overtime, labour matters emanating from termination of contracts, alleged unfair dismissal   | 17 435 500 | 5 365 500  |
| Land Matters: Land Claims, Eviction proceedings, Demolishing of structures   | 6 986 500  | 12 556 500 |
| Tender claims: Contractual: Damages for alleged breach of a contract. Claim for Commission due, owing and payable allegedly flowing from an agreement to reconcile VAT and claim what is due to K.S.D. | 1 280 000  | 1 730 000  |

97 329 589

63 058 200

### 47. Related parties

#### Relationships

Mayor

Speaker

Chief Whip

Members of the Mayoral Committee

Cllr G N Nelani  
Cllr T G Maqoko  
Cllr M Nyoka  
Cllr N Sibeko  
Cllr Z Nokayi  
Cllr L N Ntlonze  
Cllr M T Mtirara  
Cllr Z Madyibi  
Cllr T Machaea  
Cllr T E Mapekula  
Cllr NR Gcingca  
Cllr Z Gana  
Cllr J. Voko  
Cllr Z.D. Kutu  
Cllr M. Mabaso  
Cllr S. Jadiso  
Cllr V.N. Roji  
Cllr M. Menzelwa  
Cllr M. Qotyana  
Cllr Z. Luvantyu  
Cllr N. Mkontwana  
Cllr Z.M. Gusana  
Cllr T. Mcimbi  
Cllr C.S. Tokwana

#### Councillors

Cllr U. Daniso  
Cllr N. Diblokwe  
Cllr O. Khotso  
Cllr M. Mrwebi  
Cllr M.J. Msakeni  
Cllr E. M. Fileyo  
Cllr Z. Ntliziyombi  
Cllr S. Mhlaba

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|--|------|------|

### 47. Related parties (continued)

Cllr A. Ndzendze  
 Cllr M. Marasha  
 Cllr B. Bikani  
 Cllr X.M. Mbongwana  
 Cllr M. Mkhotheli  
 Cllr L. Mkonto  
 Cllr S. Sikrenya  
 Cllr M.D. Teti  
 Cllr L. D. Liwani  
 Cllr B. Bara  
 Cllr N. Gcinindawo  
 Cllr B. Ndlobongela  
 Cllr A. Babile  
 Cllr T. Mngoma  
 Cllr T. Bhova  
 Cllr M. Bunzana  
 Cllr G.N. Lusu  
 Cllr N.F. Mzimane  
 Cllr M. W. Malotana  
 Cllr B. B. Gqwetha  
 Cllr L.A. Tshiseka  
 Cllr DM Zozo  
 Cllr N. Ngqongwa  
 Cllr N. Pali  
 Cllr N. Nyangani  
 Cllr M. Mpangele  
 Cllr N.P. Ngalo  
 Cllr R. Knock  
 Cllr A. Mgquba  
 Cllr L.M. Luwaca  
 Cllr U.N.V. Malghas  
 Cllr N.M. Nqwazi  
 Cllr M.A. Fukula  
 Cllr N. Mtwa  
 Cllr N.A. Sobahle  
 Cllr L.P. Zuma  
 Cllr M.A.  
 Manzolwandle  
 Cllr M Gogo (Deceased as at July 2020)  
 Cllr S Nyengane  
 N Pakade (Municipal Manager)  
 E Jiholo (Chief Financial Officer)  
 L P Maka (Director: Community Services)  
 D Kettledas (Director: Public Safety)  
 GR Tobia (Director: Human Settlements)  
 A O Pantswa (Director: LED)  
 U Mnqokoyi (Director: Technical Services)  
 S M Nodo (Director: Corporate Services)

### Members of key management

### Awards to close family members of persons in the service of the state:

In terms of section 45 of the Municipal SCM Regulations, any award above R2 000 to family of employees in the service of the state must be disclosed in the annual financial statements.

Nine awards were made during the financial year to close family members of persons in the service of the state;

17 of these awards amount to R9 045 236 plus rates tenders. These were declared by the bidders in their bid documents.



# King Sabata Dalindyebo Local Municipality

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|--|--------------------|--------------------|
| <b>48. Unauthorised expenditure</b>                        |                    |                    |
| Unauthorised expenditure - Opening                         | 677 561 807        | 532 738 835        |
| Add: Unauthorised expenditure - current year               | 3 646 060          | 144 822 972        |
| Less: Unauthorised expenditure - Write off during the year | (573 599 494)      | -                  |
|  | <b>107 608 373</b> | <b>677 561 807</b> |

| Current year       | Reason  | Amount    |
|--------------------|---|-----------|
| Corporate Services | Budget on Legal Fees and leave pay was exceeded | 3 646 060 |

Unauthorised expenditure has been referred to MPAC for investigation.

### 49. Fruitless and wasteful expenditure

|  |                   |                   |
|--|-------------------|-------------------|
| Opening balance as previously reported | 54 021 610        | 30 383 319        |
| <b>Opening balance as restated</b>     | <b>54 021 610</b> | <b>30 383 319</b> |
| Add: Expenditure identified - current  | 19 562 870        | 23 638 291        |
| Less: Amount written off - current     | (52 809 855)      | -                 |
| <b>Closing balance</b>                 | <b>20 774 625</b> | <b>54 021 610</b> |

Fruitless and wasteful expenditure was incurred as a result of interest and penalties charged on late payments.

Fruitless and wasteful expenditure has been referred to MPAC for investigation.

The Fruitless and wasteful expenditure has been referred to the Municipal Council to be written off in accordance with Section 32(2)(b) of the MFMA.

### 50. Irregular expenditure

|   |                    |                    |
|---|--------------------|--------------------|
| Opening balance                           | 857 625 316        | 947 872 745        |
| Add: Irregular Expenditure - current year | 9 284 672          | 23 504 876         |
| Less: Write off by council                | (714 508 703)      | (113 752 305)      |
|   | <b>152 401 285</b> | <b>857 625 316</b> |

#### Details of irregular expenditure – current year

|                            |                  |
|----------------------------|------------------|
| Splitting                  | 108 399          |
| No Specification committee | 8 814 716        |
| No SCM process followed    | 361 557          |
|                            | <b>9 284 672</b> |

Irregular expenditure has been investigated by MPAC, R714 million was authorised for write off by council in December 2020 as mentioned in note 56.

### 51. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

|                                 |             |             |
|---------------------------------|-------------|-------------|
| Opening balance                 | 2 322 615   | -           |
| Current year subscription / fee | 5 423 085   | 4 645 230   |
| Amount paid - current year      | (2 284 366) | (2 322 615) |

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| <b>51. Additional disclosure in terms of Municipal Finance Management Act (continued)</b> | <b>5 461 334</b> | <b>2 322 615</b> |

### Distribution losses

During the 2021 financial year the Municipality incurred distribution losses relating to electricity of 16.68% (2020:16.96%).

### Electricity distribution losses in units

|                                    |                   |                   |
|------------------------------------|-------------------|-------------------|
| Purchases                          | 276 025 135       | 285 638 931       |
| Own use                            | (3 459 799)       | (3 769 371)       |
| Pre-paid consumer electricity sold | (95 387 672)      | (94 458 437)      |
| Conventional consumer billed       | (131 146 994)     | (138 955 308)     |
|                                    | <b>46 030 670</b> | <b>48 455 815</b> |

|                                 |                   |                   |
|---------------------------------|-------------------|-------------------|
| Units purchased during the year | 276 025 135       | 285 638 931       |
| Units sold during the year      | (229 994 464)     | (237 183 116)     |
|                                 | <b>46 030 671</b> | <b>48 455 815</b> |

|               |            |            |
|---------------|------------|------------|
| Rand per unit | 1,91       | 1,94       |
| Cost in rands | 87 886 128 | 93 811 326 |

### Audit fees

|                                 |                  |               |
|---------------------------------|------------------|---------------|
| Opening balance                 | 94 156           | 6 895 332     |
| Current year subscription / fee | 10 858 235       | 12 573 544    |
| Amount paid - current year      | (6 846 469)      | (19 374 720)  |
|                                 | <b>4 105 922</b> | <b>94 156</b> |

### PAYE, UIF and SDL

|                                 |                   |                   |
|---------------------------------|-------------------|-------------------|
| Opening balance                 | 75 313 428        | 53 431 614        |
| Current year subscription / fee | 89 316 177        | 80 834 935        |
| Amount paid - current year      | (120 189 204)     | (58 953 121)      |
|                                 | <b>44 440 401</b> | <b>75 313 428</b> |

### Skills Development levy (SDL) Covid - 19 relief:

For the four months period from May - August 2020, employers who are registered for SDL do not have to declare and pay SDL to SARS.

The SDL payment holiday will be automatical provided. The Zero amount SDL Liability will be defaulted on the EMP201 return for the four month period from May to August 2020.

### Pension, Provident and Medical Aid Deductions

|                                 |                   |                   |
|---------------------------------|-------------------|-------------------|
| Opening balance                 | 36 384 634        | 27 279 211        |
| Current year subscription / fee | 114 525 188       | 106 173 524       |
| Amount paid - current year      | (102 292 013)     | (97 068 101)      |
|                                 | <b>48 617 809</b> | <b>36 384 634</b> |

### Councillors' arrear consumer accounts

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

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|   |                          | 2021                               | 2020          |
|---|--------------------------|------------------------------------|---------------|
| <b>51. Additional disclosure in terms of Municipal Finance Management Act (continued)</b> |                          |                                    |               |
| 30 June 2021  | Outstanding 90 days<br>R | Outstanding more than 90 days<br>R | Total<br>R    |
| Malotana MW   | 2 951                    | 5 487                              | 8 438         |
| Mabaso MM   | 654                      | -                                  | 654           |
|   | <b>3 605</b>             | <b>5 487</b>                       | <b>9 092</b>  |
| 30 June 2020  | Outstanding 90 days<br>R | Outstanding more than 90 days<br>R | Total<br>R    |
| Sobahle NA  | 1 419                    | 2 584                              | 4 003         |
| Zozo DM   | 3 266                    | 10 353                             | 13 619        |
| Sibeko N  | 2 317                    | 286                                | 2 603         |
| Malotana MW   | 19 169                   | 5 873                              | 25 042        |
| Gqwetha BB  | 1 301                    | 14 055                             | 15 356        |
| Mabaso M  | 1 219                    | 3 975                              | 5 194         |
| Nyangani N  | 771                      | 6 021                              | 6 792         |
| Mabaso MM   | 2 080                    | 22 472                             | 24 552        |
| Bunzana M   | 1 107                    | -                                  | 1 107         |
|   | <b>32 649</b>            | <b>65 619</b>                      | <b>98 268</b> |

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

#### Supply Chain Management Deviations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/ dispensed by the Accounting Officer and noted by Council.

### 52. Supply Chain Management Regulations

The expenses incurred listed below are instances of Supply Chain Management deviations reported to the council.

| Incident  | 2021              | 2020              |
|---|-------------------|-------------------|
| 3 quotations not obtained                         | -                 | 74 824            |
| Sole supplier                                     | 17 163            | 955 401           |
| Emergency procurement                             | 9 607 274         | 213 637           |
| Labour unrest                                     | -                 | 579 263           |
| Minor Breach                                      | -                 | 6 500 000         |
| Advertising in local newspaper and radio stations | 278 722           | 593 466           |
| Pauper burials-body already at parlour            | 16 800            | 35 600            |
| Covid - 19  | 173 228           | 2 844 356         |
|   | <b>10 093 187</b> | <b>11 796 547</b> |

### 53. Risk management

#### Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out under policies approved by the accounting officer and council. The municipality identifies, evaluates and hedges financial risks in close co-operation with the municipality's various departments. The accounting officer and council provides written principles for overall risk management, as well as written policies covering specific areas.

#### Liquidity risk

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

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances equal their carrying balances as the effect of discounting is not significant.

| At 30 June 2021             | Between 1 and 2<br>years | Between 2 and 5<br>year |   |   |
|-----------------------------|--------------------------|-------------------------|---|---|
| Trade and other payables    | 390 619 226              | -                       | - | - |
| Other financial liabilities | 3 718 197                | 8 418 165               | - | - |
| Consumer deposits           | 24 215 909               | -                       | - | - |
| Finance lease obligation    | 22 700 750               | 32 565 167              | - | - |
|                             |                          |                         |   |   |
| At 30 June 2020             | Between 1 and 2<br>years | Between 2 and 5<br>year |   |   |
| Trade and other payables    | 430 347 423              | -                       | - | - |
| Other financial liabilities | 4 194 796                | 10 459 332              | - | - |
| Consumer deposits           | 21 233 372               | -                       | - | - |
| Finance lease obligation    | 20 366 489               | 55 459 679              | - | - |

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### 53. Risk management (continued)

Liquidity risk is mainly concentrated on the Trade and other payables balance.

The municipality does not have any collateral and /or credit enhancements that aid in the mitigation of the liquidity risks.

#### Credit risk

Credit risk is the risk of financial loss to the municipality if customers or counterparties to financial instruments fail to meet their contractual obligations, and arises principally from the municipality's investments, loans, receivables, and cash and cash equivalents.

The municipality limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating, and limits exposure to any one counter-party in accordance with Council's approved investment policy.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis and assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Entity establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. Sales to retail customers are settled in cash or using major credit cards.

The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial performance.

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

|  | 2021       | 2020       |
|--|------------|------------|
| Financial instrument                       |            |            |
| Cash and cash equivalents                  | 50 389 717 | 26 182 479 |
| Receivables from exchange transactions     | 69 136 426 | 61 635 142 |
| Receivables from non-exchange transactions | 61 462 835 | 44 909 982 |

The municipality does not hold any collateral in relation to the financial assets above.

#### Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates and interest rates, affecting the municipality's income or the value of its financial instrument holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk.

#### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

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### 53. Risk management (continued)

#### Covid 19 disaster risk

##### COVID 19

All areas of society were affected by the global pandemic as a result of the COVID-19 virus and were affected by the national lockdown announced by the South African national government. The declaration of the national state of disaster as published in Gazette No 43096 on the 15th March 2020 and extended thereafter has had an impact on the legislative reporting dates for municipalities.

The municipality continued to provide services during the national state of national disaster and raise revenue accordance with services provided under both exchange and non-exchange revenue. Management has assessed that there have been no material changes in revenue raised of services. The nationwide lockdown has had a negative impact on the entity's recovery of income generated. The municipality in its assessment of impairment has considered the consumers risk profile and payment history.

The municipality was able to meet its obligations relating to borrowings. There has been no need to reclassify the outstanding balance between the current and non-current due to changes in terms.

Management has considered the impact of COVID-19 and the hard lockdown on non-monetary assets. There have been no material changes in the use of asset that would require a change in the expected useful life of assets.

Due to the lockdown and limited movement, the municipality has seen a reduction in the spend on capital projects. The municipality has disclosed any delays in capital projects as a result of national state of disaster and lockdown.

Management has assessed that there has been an increase in expenditure relating to Personal Protective Equipment (PPE) as required by the regulation as issued under the national state of disaster. The expenditure patterns on general expenditure items has remained consistent.

No material information has come to the attention of management to suggest that there is a going concern issue. The financial statements for the year ended 30 June 2020 have been prepared under the going concern assumption.

The municipality reviews its foreign currency exposure, including commitments on an ongoing basis. The municipality expects its foreign exchange contracts to hedge foreign exchange exposure.

### 54. Financial instruments disclosure

#### Categories of financial instruments

##### 2021

#### Financial assets

|  | At amortised cost  | Total              |
|--|--------------------|--------------------|
| Receivables from exchange transactions     | 69 136 426         | 69 136 426         |
| Receivables from non-exchange transactions | 61 462 835         | 61 462 835         |
| Cash and cash equivalents                  | 50 389 717         | 50 389 717         |
|  | <b>180 988 978</b> | <b>180 988 978</b> |

#### Financial liabilities

|                                     | At amortised cost  | Total              |
|-------------------------------------|--------------------|--------------------|
| Other financial liabilities         | 12 136 362         | 12 136 362         |
| Payables from exchange transactions | 390 619 226        | 390 619 226        |
| Finance lease obligation            | 55 265 917         | 55 265 917         |
|                                     | <b>458 021 505</b> | <b>458 021 505</b> |

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|--|------|------|
|--|------|------|

### Financial instruments disclosure (continued)

2020

#### Financial assets

|  | At amortised cost  | Total              |
|--|--------------------|--------------------|
| Trade and other receivables from exchange transactions | 61 635 142         | 61 635 142         |
| Other receivables from non-exchange transactions       | 44 909 982         | 44 909 982         |
| Cash and cash equivalents                              | 26 182 479         | 26 182 479         |
|  | <b>132 727 603</b> | <b>132 727 603</b> |

#### Financial liabilities

|   | At amortised cost  | Total              |
|---|--------------------|--------------------|
| Other financial liabilities                         | 14 654 128         | 14 654 128         |
| Trade and other payables from exchange transactions | 430 347 423        | 430 347 423        |
| Finance lease obligation                            | 75 826 168         | 75 826 168         |
|   | <b>520 827 719</b> | <b>520 827 719</b> |

### 55. Events after the reporting date

The municipality is not aware of any events after 30 June 2021 that may have an impact on the financial statements or require disclosure.

### 56. Prior-year adjustments

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

#### Statement of financial position

2020

|  | Note | As previously reported | Correction of error | Restated           |
|--|------|------------------------|---------------------|--------------------|
| Inventories                                |      | 66 320 225             | 70 791 796          | 137 112 021        |
| Receivables from exchange transactions     |      | 62 833 415             | (1 198 273)         | 61 635 142         |
| Receivables from non-exchange transactions |      | 51 039 510             | (6 129 528)         | 44 909 982         |
| Investment property                        |      | 322 840 105            | (1 340 260)         | 321 499 845        |
| Property Plant and Equipment               |      | 2 065 990 478          | 126 372 956         | 2 192 363 434      |
| Vat  |      | 6 658 081              | 840 382             | 7 498 463          |
| Payables from exchange transactions        |      | (443 845 232)          | 13 497 809          | (430 347 423)      |
| Accumulated Surplus                        |      | (1 597 764 293)        | (202 834 882)       | (1 800 599 175)    |
|  |      | <b>534 072 289</b>     | <b>-</b>            | <b>534 072 289</b> |

#### Statement of financial performance

2020

|                                    | Note | As previously reported | Correction of error | Restated      |
|------------------------------------|------|------------------------|---------------------|---------------|
| Rental of facilities and equipment |      | 20 081 572             | 53 192              | 20 134 764    |
| Employee related cost              |      | (460 170 866)          | (4 680 895)         | (464 851 761) |
| Depreciation and amortisation      |      | (180 093 871)          | 918 446             | (179 175 425) |
| Grants and Subsidies paid          |      | (47 102 914)           | (15 709)            | (47 118 623)  |
| General expenditure                |      | (188 142 776)          | 19 167 186          | (168 975 590) |

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|  | <div><div></div><div></div></div> | 2021       | 2020          |
|--|-----------------------------------|------------|---------------|
| 56. Prior-year adjustments (continued) |                                   |            |               |
| Surplus for the year                   | (855 428 855)                     | 15 442 220 | (839 986 635) |



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### 56. Prior-year adjustments (continued)

#### Prior period errors adjustments

The following prior period errors adjustments occurred:

#### STATEMENT OF FINANCIAL POSITION:

##### Inventories

The changes or adjustments made are due to land that belongs to KSD Municipality but will be transferred in the Deeds Office to Province of the Eastern Cape as the municipality has no control over them Application of GRAP12 was applied.

##### Property, plant and equipment

The changes or adjustments were due to ITC project that was expensed in the prior year, that should have been capitalised. Also the changes were due to assets fully depreciated in the prior years and the correction of the useful life in the prior year was revised and the carrying value, also there were properties that were previously donated by the Department of Public Works that were never included in the register..

##### Investment Property

The changes or adjustments made are due to, Omissions on the Investment registers and the reclassification that were previously not done.

##### Receivables from exchange transactions

The changes or adjustments made are due to, Commercial rentals not raised for the Nkululeweni Housing as per COAF 71 audit findings of the AGSA.

##### Payables from exchange transactions

The changes or adjustments made are due to the following, Accrued restatements and creditors adjustment from staff allowances relating to prior years that was previously captured in the incorrect financial year.

##### Accumulated Surplus

The change in accumulated surplus is largely made by all the relating to prior prior year restatement in the Statement of Financial Position movements and statement of financial Performance movements.

#### STATEMENT OF FINANCIAL PERFORMANCE:

##### Rental of facilities and equipment

The changes or adjustments made are due to, The Nkululeweni Housing rentals.

##### Employee related cost

The changes or adjustment in employee related costs is due to employee allowances that were captured in the incorrect years.

##### General Expenses

The changes or adjustments in general expenditure is due to movement in WIP and Repairs and maintenance adjustments from prior years audited findings and accruals.

##### Depreciation and amortisation

The changes or adjustment in depreciation expense is due to the revised RUL in the Fixed Assets Registers that were not done in the prior year.

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### 57. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus R 1 870 601 015 and that the municipality's total assets exceed its liabilities by R 2 258 423 269.

There is a material uncertainty with regards to the going concern of the municipality due to these conditions as the municipality has current liabilities exceeding current assets by R146 423 834 (2020: R213 771 499) and total liabilities exceed current assets by R239 107 261 (2020: R330 265 648), commitments of R84 331 259 (2020: R68 434 538) and contingents of R97 329 589 (2020: R63 058 200). The municipality only has R50 389 717 (2020: 26 182 479) of cash at the bank and this is not sufficient to cover the liabilities, commitments, and contingents the municipality has, and thus there is material uncertainty with regards to going concern of the municipality even though the total assets exceeds the total liabilities.

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

The total assets exceed the total liabilities by R2.2 billion, the municipality is in a net current liability situation when compared to current assets. In addition, the current liabilities that require settlement amounts to R467.7 million. The municipality will receive total operating grants amounting to R449 million and R117.5 million for capital grants in terms of the DORA allocation as gazetted in the 2020/21 financial year Division of Revenue Act.

Arrear amount payable to Eskoms is R84 million and payable over a period 24 months whereas the total gross receivables relating to rates and services amounts to R792 million. The municipality, in the preparation of the 2020/21 budget, has taken onto account balances owed to ESKOM in relation to the arrear arrangement. The collection rate has improved in the current year.

The municipality will increase efforts to recover the substantial arrears via the tools provided within the municipality's credit policy. The municipality has other potential revenue collection strategies such as allocation of current receipting against historical debt, limited amnesty, collections of other service debts via the prepaid system, door to door campaign and debt collection agents.

The municipality has a number of contingencies listed within the Annual Financial Statements. A contingent liability is a potential liability that may occur, depending on the outcome of an uncertain future event. Should a contingent liability translate into an actual liability, the municipality will, if required revisit its current budgets to ensure that the liability is settled as required.

In addition to the above, the municipality plans to finance this shortfall through the following measures:

- Cut backs on discretionary spending.
- Negotiating with strategic partners such as COGTA in order to find solutions on alleviating some of the debt from Eskom as they have done in the prior years and
- Negotiating payment terms with bulk creditors such as Eskom, which accounts for 29% of total current liabilities, in order ease the burden on current cash flows.

The municipality is gradually stabilizing its finances and furthermore this has resulted in a reduction in payables and an increase in cashflows.

### 58. Accounting by principals and agents

The entity a party to a principal-agent arrangements.

Details of the arrangement(s) is/are as follows:

The Municipality acts as an agent for the Department of Transport whereby it administers the provisioning of motor vehicle licences and registrations as well as driver's licences. It receives compensation for these services based on binding arrangement with the department.

The Municipality is the principal OR agent. Refer to note 1.21 for significant judgements applied in making this assessment.

#### Entity as agent

#### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R9 872 187 (2020: R7 000 930).

#### Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

Category 1 - Motor Vehicle Licences and Registrations

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### 58. Accounting by principals and agents (continued)

|   | 2021         | 2020         |
|---|--------------|--------------|
| Opening balance                             | 4 421 578    | 1 794 478    |
| Amounts received on behalf of the principal | 47 562 978   | 35 347 799   |
| Amounts transferred to the principal        | (49 458 714) | (32 720 699) |

**2 525 842      4 421 578**

### All categories

|   |              |              |
|---|--------------|--------------|
| Opening balance                             | 4 421 578    | 1 794 478    |
| Amounts received on behalf of the principal | 47 562 978   | 35 347 799   |
| Amounts transferred to the principal        | (49 458 714) | (32 720 699) |

**2 525 842      4 421 578**

### 59. Segment information

#### General information

#### Identification of segments

The municipality is organised and reports to management on the basis of two major service areas: electricity and refuse 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. Other functions are non segment as they are support services.

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.

#### Aggregated segments

Segments identified above have not been aggregated.

#### Types of goods and/or services by segment

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

#### Reportable segment

Electricity  
Refuse services

#### Goods and/or services

Delivery of electrical services  
Rendering of refuse removal services

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### 59. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

2021

|  | Electrical<br>Services | Refuse (Solid<br>Waste) | Non-Segment        | Total                |
|--|------------------------|-------------------------|--------------------|----------------------|
| <b>Revenue</b>                           |                        |                         |                    |                      |
| Revenue from non-exchange transactions   | 5 893 710              | 2 173 913               | 818 450 504        | 826 518 127          |
| Revenue from exchange transactions       | 465 439 413            | 58 141 786              | 71 027 532         | 594 608 731          |
| Fair Vaule Adjustment                    | -                      | -                       | 11 828 981         | 11 828 981           |
| <b>Total segment revenue</b>             | <b>471 333 123</b>     | <b>60 315 699</b>       | <b>901 307 017</b> | <b>1 432 955 839</b> |
| <b>Entity's revenue</b>                  |                        |                         |                    | <b>1 432 955 839</b> |
| <b>Expenditure</b>                       |                        |                         |                    |                      |
| Employee Related Cost                    | 34 133 992             | 31 697 174              | 433 867 511        | 499 698 677          |
| Councillors remuneration                 | -                      | -                       | 28 255 080         | 28 255 080           |
| Bulk Purchases                           | 322 019 740            | -                       | -                  | 322 019 740          |
| Contracted Services                      | -                      | -                       | 16 720 778         | 16 720 778           |
| Depreciation and Amortisation            | 7 193 797              | 8 220 815               | 149 421 794        | 164 836 406          |
| Finance costs                            | -                      | 1 610 958               | 27 531 106         | 29 142 064           |
| Operating Leases                         | 407 997                | 202 100                 | 7 297 749          | 7 907 846            |
| General expenditure                      | 33 607 926             | 10 757 020              | 142 176 010        | 186 540 956          |
| Grants and Subsidies paid                | -                      | -                       | 62 335 156         | 62 335 156           |
| Loss on disposal                         | -                      | -                       | 1 102 715          | 1 102 715            |
| Debt Impairment                          | -                      | -                       | 4 321 658          | 4 321 658            |
| <b>Total segment expenditure</b>         | <b>397 363 452</b>     | <b>52 488 067</b>       | <b>873 029 557</b> | <b>1 322 881 076</b> |
| <b>Total segmental surplus/(deficit)</b> |                        |                         |                    | <b>110 074 763</b>   |
| <b>Assets</b>                            |                        |                         |                    |                      |
| Current Assets                           | 302 326 384            | 874 005 029             | (854 761 453)      | 321 569 960          |
| Non-current assets                       | 476 354 505            | -                       | 2 021 176 025      | 2 497 530 530        |

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|   | Electrical<br>Services | Refuse (Solid<br>Waste) | Non-Segment          | Total                |
|---|------------------------|-------------------------|----------------------|----------------------|
| <b>59. Segment information (continued)</b>                      |                        |                         |                      |                      |
| <b>Total segment assets</b>                                     | <b>778 680 889</b>     | <b>874 005 029</b>      | <b>1 166 414 572</b> | <b>2 819 100 490</b> |
| <b>Total assets as per Statement of financial Position</b>      |                        |                         |                      | <b>2 819 100 490</b> |
| <b>Liabilities</b>  |                        |                         |                      |                      |
| Current Liabilities   | (22 700 750)           | (1 079 017 734)         | 633 724 690          | (467 993 794)        |
| Non-current liabilities   | -                      | -                       | (92 683 427)         | (92 683 427)         |
| <b>Total segment liabilities</b>                                | <b>(22 700 750)</b>    | <b>(1 079 017 734)</b>  | <b>541 041 263</b>   | <b>(560 677 221)</b> |
| <b>Total liabilities as per Statement of financial Position</b> |                        |                         |                      | <b>(560 677 221)</b> |

### Reporting On Segment Assets and Liabilities

The Municipality has assessed that assets and liabilities with each segment is not used by management for decision making purpose and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment is not required to be disclosed.

### Geographic Segment Reporting

Although the Municipality operates in a number of geographical areas(i.e.wards) in and around the Mthatha and Mqanduli area, the geographical information is not considered relevant to management for decision-making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the Municipality has assessed that it operates in a single geographical area.

### Measurement of Specific segment Information

The accounting policies of the respective segments are the same as those prescribed in the summary of significant accounting policies and therefore the basis of measurement between the segments reporting and the annual financial statements are consistent.

The municipality has no changes to the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from the prior year.