

Umzimvubu Local Municipality

(Registration number EC442)

Annual Financial Statements for the year ended June 30, 2021



Umzimvubu Local Municipality
(Registration number EC442)
Annual Financial Statements
for the year ended June 30, 2021

* See Note

Umzimvubu Local Municipality

(Registration number EC442)

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General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act No. 108 of 1996)

Nature of business and principal activities

Umzimvubu Local Municipality

Executive Mayor

Cllr S.K Mnukwa

Speaker

Cllr N.F Ngonyolo

Chief Whip

Cllr N.G Mdzinwa

MPAC Chairperson

Cllr S.P Myingwa

Councillors

W1 - Cllr F.J Hem

W2 - Cllr N. Ntsevu

W3 - Cllr A.P Mkonto

W4 - Cllr N.V Nomaqqa

W5 - Cllr S. Sifolo

W6 - Cllr N.C Tshayisa

W7 - Cllr M.C Ntsengwana

W8 - Cllr T. Sokhanyile

W9 - Cllr M. Mqulwane

W10 - Cllr P. Makhinzi

W11 - Cllr N. Gogela

W12 - Cllr G.V Lugongolo

W13 - Cllr C.L Noqhakala

W14 - Cllr T.V Hlazo

W15 - Cllr C.N Mnyayiza

W16 - Cllr B. Majalamba

W17 - Cllr S. Mankanku

W18 - Cllr T. Sincindi - sworn in on 26 November 2020

W19 - Cllr E.N Ngalonkulu - Lebelo

W20 - Cllr T. Nomkuca

W21 - Cllr V.A Bulana

W22 - Cllr N. Tshalana - sworn in on 08 November 2020

W23 - Cllr N.H Kolweni

W24 - Cllr M. Jolobe - passed away on 12 May 2021

W25 - Cllr M. Mbuli - sworn in on 26 November 2020

W26 - Cllr M. Tuku

W27 - Cllr N.S Soldat

W1 - Pr Cllr F.N Ngonyolo (Speaker)

W2 - Pr Cllr S.K Mnukwa (Executive Mayor)

W3 - Pr Cllr N.G Mdzinwa (Chief Whip)

W4 - Pr Cllr H.M Ngqasa

W5 - Pr Cllr M. Mataka

W6 - Pr Cllr A.N Garane

W7 - Pr Cllr U.G Makanda

W8 - Pr Cllr T.A Mambi

W10 - Pr Cllr P.K Thingathinga

W11 - Pr Cllr L.S Maqashalala - passed away on 1st September 2020

W12 - Pr Cllr N. Ntshayisa

W13 - Pr Cllr L.L Nqatsha

W14 - Pr Cllr N.N Gcadinja

W15 - Pr Cllr H.N Dandala- passed away on 17 December 2020

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General Information

	W15 - Pr Cllr N. Sonyabashi
	W16 - Pr Cllr S.A.N Cekeshe
	W17 - Pr Cllr S.P Myingwa (MPAC Chair)
	W18 - Pr Cllr X. Jona
	W19 - Pr Cllr N.A Mantshongo
	W20 - Pr Cllr Lungu- passed away on 29 January 2021
	W20 - Pr Cllr F.P Sontsi
	W21 - Pr Cllr M. Ramabina
	W22 - Pr Cllr L.M. Ntshobane - passed away on 1 September 2020
	W22 - Pr Cllr S. Teni - Sworn in on 30 September 2020 and resigned on 28 October 2020
	W22 - Pr Cllr Ntwakumba - sworn in on 29 October 2020
	W23 - Pr Cllr N.V Nomnganga
	W24 - Pr Cllr T. Ntsalaze
	W24 - Pr Cllr M. Maliwa
	W25 - Pr Cllr M. Hlanekela
	W26 - Pr Cllr T. Ndara
Capacity and grading of local authority	Grade 3
Accounting Officer	Mr G.P.T Nota
Chief Financial Officer	Mr F.T Fundira
Registered office	ERF 813 Main Street Kwa-Bhaca 5090
Bankers	First National Bank
Auditors	Auditor-General of South Africa Registered Auditors
Attorneys	Fikile Ntayiya & Associates Madlanga & Partners Inc. Norton Rose Fullbright Pakade Attorneys Xolile Ntshulana Mdledle Incorporation Conjwa Attorneys NT Vuba Incorporated Attorneys - Dissolved in 2020 Moepagauta Consulting 18
Legislation governing the municipality's operations	Local Government: Municipal Finance Management Act (Act No. 56 of 2003) Local Government: Municipal Systems Act (Act No. 32 of 2000) Local Government: Municipal Structures Act (Act No. 117 of 1998) Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Property Rates Act (Act No. 6 2004) Division of Revenue Act (Act No. 1 of 2007)

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ASB	Accounting Standards Board
CRR	Capital Replacement Reserve
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Annual Financial Statements for the year ended 30 June 2021

Responsibilities and Approval

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

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

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

I as the Accounting Officer acknowledge that I am 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, there are sets of 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.

I am 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.

I have 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, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

I am primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 34 - Councillors remuneration to these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2021 and were signed on its behalf by:


Accounting Officer (G.P.T Nota)
KwaBhaca

Tuesday, 31 August 2021

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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	3	752 450	899 242
Operating lease receivable	4	11 694 610	9 440 013
Receivables from exchange transactions	5	2 140 354	1 339 830
Receivables from non-exchange transactions	6	8 400 857	11 446 226
VAT receivable	7	5 568 716	4 767 925
Cash and cash equivalents	8	126 823 141	101 452 584
		155 380 128	129 345 820
Non-Current Assets			
Investment property	9	18 071 400	14 730 000
Property, plant and equipment	10	957 769 346	909 550 414
Intangible assets	11	2 493 266	2 820 116
Heritage assets	12	17 719	17 719
		978 351 731	927 118 249
Total Assets		1 133 731 859	1 056 464 069
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	22 741 594	29 426 329
Payables from Non-exchange transactions	14	2 251 168	2 397 185
Consumer deposits	15	132 471	106 053
Unspent conditional grants and receipts	16	14 300 023	4 028 188
Employee benefits obligations	17	10 558 625	10 393 781
		49 983 881	46 351 536
Non-Current Liabilities			
Employee benefits obligations	17	1 998 000	1 968 000
Provisions	18	4 886 339	4 574 445
		6 884 339	6 542 445
Total Liabilities		56 868 220	52 893 981
Net Assets		1 076 863 639	1 003 570 088
Reserves			
Capital replacement reserve	19	30 874 974	29 972 454
Accumulated surplus	20	1 045 988 665	973 597 634
Total Net Assets		1 076 863 639	1 003 570 088

* See Note 64

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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods	22	1 246 761	991 222
Service charges	23	1 210 121	1 096 785
Rental of facilities and equipment	24	3 760 203	3 727 649
Interest received	25	4 364 555	7 757 107
Income from Agency services	26	2 231 470	1 752 963
Licences and permits	27	1 913 901	1 903 327
Operational Revenue	28	86 530	1 183 069
Fair value adjustments	29	3 200 527	564 741
Actuarial gains	30	144 000	84 298
Total revenue from exchange transactions		18 158 068	19 061 161
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	31	17 733 488	16 728 512
Licences and Permits	32	159 232	228 708
Interest received	33	1 533 147	2 143 095
Transfer revenue			
Government grants and subsidies	34	383 837 790	297 357 242
Fines	35	3 998 274	11 008 328
Total revenue from non-exchange transactions		407 261 931	327 465 885
Total revenue	21	425 419 999	346 527 046
Expenditure			
Employee related costs	36	(80 632 207)	(74 703 109)
Remuneration of councillors	37	(20 077 147)	(20 060 430)
Depreciation and amortisation	38	(110 304 250)	(111 003 143)
Impairment losses	39	(15 918 957)	(34 222 965)
Finance costs	40	(320 021)	(281 058)
Lease rentals on operating lease	41	(203 849)	(343 772)
Bad debts written off	42	(2 216 061)	-
Inventory Consumed	43	(6 134 330)	(7 442 188)
Contracted services	44	(56 169 519)	(52 151 229)
Transfers and Subsidies Paid	45	(1 104 926)	(1 203 218)
Loss on disposal of assets	46	(1 201 173)	-
Operating costs	47	(57 844 001)	(50 037 059)
Total expenditure		(352 126 441)	(351 448 171)
Surplus (deficit) for the year		73 293 558	(4 921 125)

* See Note 64

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Statement of Changes in Net Assets

	Capital Replacement Reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	27 925 595	985 104 127	1 013 029 722
Adjustments			
Prior year adjustments	-	(4 538 509)	(4 538 509)
Balance at 01 July 2019 as restated*	27 925 595	980 565 618	1 008 491 213
Changes in net assets			
Surplus (Deficit) for the year	-	(4 921 125)	(4 921 125)
Transfers to/from reserves	2 046 859	(2 046 859)	-
Total changes	2 046 859	(6 967 984)	(4 921 125)
Opening balance as previously reported	29 972 454	986 831 445	1 016 803 899
Adjustments			
Prior year adjustments	-	(13 233 818)	(13 233 818)
Restated* Balance as at 01 July 2020	29 972 454	973 597 627	1 003 570 081
Changes in net assets			
Surplus (Deficit) for the year	-	73 293 558	73 293 558
Transfer of capital surplus to trust capital	902 520	(902 520)	-
Total changes	902 520	72 391 038	73 293 558
Balance at 30 June 2021	30 874 974	1 045 988 665	1 076 863 639
Note(s)	19		

* See Note 64

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Cash Flow Statement

	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Property Rates		15 830 397	3 644 987
Government Grant and Subsidies		394 109 535	298 778 398
Service Charges		232 954	1 096 785
Interest from debtors		5 897 702	10 030 034
Other receipts		7 188 913	32 827 132
		423 259 501	346 377 336
Payments			
Employee Related Costs		(80 442 363)	(72 689 560)
Remuneration of Councillors		(20 077 147)	(18 008 834)
Finance costs		(320 021)	(281 058)
Suppliers paid		(127 820 503)	(137 037 562)
Grants and subsidies		(800 791)	-
		(229 460 825)	(228 017 014)
Net cash flows from operating activities	49	193 798 676	118 360 322
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(168 794 251)	(106 809 387)
Proceeds from sale of property, plant and equipment	10&46	523 522	-
Purchase of other intangible assets	11	(157 390)	(898 964)
Net cash flows from investing activities		(168 428 119)	(107 708 351)
Cash flows from financing activities			
Repayment of other financial liabilities		-	564 741
Movement in provisions		-	(6 149 189)
Movement in provisions		-	6 800 895
Net cash flows from financing activities		-	1 216 447
Net increase/(decrease) in cash and cash equivalents		25 370 557	11 868 418
Cash and cash equivalents at the beginning of the year		101 452 584	89 584 166
Cash and cash equivalents at the end of the year	8	126 823 141	101 452 584

* See Note 64

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	1 683 396	-	1 683 396	1 246 761	(436 635)	N29
Service charges	1 000 000	-	1 000 000	1 210 121	210 121	N30
Rental of facilities and equipment	3 789 755	-	3 789 755	3 760 203	(29 552)	
Interest received - trading	11 270 667	-	11 270 667	4 364 555	(6 906 112)	N31
Agency services	2 098 000	-	2 098 000	2 231 470	133 470	
Licences and permits (exchange)	1 783 300	-	1 783 300	1 913 901	130 601	
Other revenue	20 262 250	-	20 262 250	86 530	(20 175 720)	N33
Total revenue from exchange transactions	41 887 368	-	41 887 368	14 813 541	(27 073 827)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	17 399 469	-	17 399 469	17 733 488	334 019	
Licences and permits (non-exchange)	136 370	-	136 370	159 232	22 862	N1
Interest, dividends and rent on land	-	-	-	1 533 147	1 533 147	N32
Transfer revenue						
Government grants and subsidies	337 243 774	49 283 297	386 527 071	383 837 790	(2 689 281)	N34
Fines, penalties and forfeits	6 367 150	-	6 367 150	3 998 274	(2 368 876)	N2
Total revenue from non-exchange transactions	361 146 763	49 283 297	410 430 060	407 261 931	(3 168 129)	
Total revenue	403 034 131	49 283 297	452 317 428	422 075 472	(30 241 956)	
Expenditure						
Employee costs	(89 935 421)	-	(89 935 421)	(80 632 207)	9 303 214	N3
Remuneration of councillors	(21 563 431)	-	(21 563 431)	(20 077 147)	1 486 284	N4
Depreciation and amortisation	(129 214 054)	-	(129 214 054)	(110 304 250)	18 909 804	N5
Impairment loss/ Reversal of impairments	-	-	-	(15 918 957)	(15 918 957)	N6
Debt impairment	(2 000 000)	-	(2 000 000)	(2 216 061)	(216 061)	N7
Lease rentals on operating leases	-	-	-	(203 849)	(203 849)	N8
Contracted services	(65 695 027)	(602 935)	(66 297 962)	(56 169 519)	10 128 443	
Transfers and subsidies	(4 842 240)	(1 600 000)	(6 442 240)	(1 104 926)	5 337 314	N9
General expenses	(68 034 262)	(5 337 942)	(73 372 204)	(64 298 352)	9 073 852	N10
Total expenditure	(381 284 435)	(7 540 877)	(388 825 312)	(350 925 268)	37 900 044	
Operating surplus	21 749 696	41 742 420	63 492 116	71 150 204	7 658 088	
Loss on disposal of assets and liabilities	-	-	-	(1 201 173)	(1 201 173)	N11
Fair value adjustments	-	-	-	3 200 527	3 200 527	N12
Actuarial gains/losses	-	-	-	144 000	144 000	N13

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	-	-	-	2 143 354	2 143 354	
Surplus before taxation	21 749 696	41 742 420	63 492 116	73 293 558	9 801 442	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	21 749 696	41 742 420	63 492 116	73 293 558	9 801 442	

Statement of Financial Position

Assets

Current Assets

Inventories	713 259	(301 000)	412 259	752 450	340 191	N14
Operating lease asset	70 969	-	70 969	11 694 610	11 623 641	N15
Receivables from exchange transactions	13 691 239	1 942 406	15 633 645	2 140 354	(13 493 291)	N16
Receivables from non-exchange transactions	39 300 716	(39 250 000)	50 716	8 400 857	8 350 141	N17
VAT receivable	-	-	-	5 568 716	5 568 716	N18
Cash and cash equivalents	124 274 232	138 329 094	262 603 326	126 823 141	(135 780 185)	N19
	178 050 415	100 720 500	278 770 915	155 380 128	(123 390 787)	

Non-Current Assets

Investment property	13 640 257	-	13 640 257	18 071 400	4 431 143	N20
Property, plant and equipment	1 104 145 877	42 188 636	1 146 334 513	957 769 346	(188 565 167)	N21
Intangible assets	3 111 015	2 676 000	5 787 015	2 493 266	(3 293 749)	N22
Heritage assets	17 719	-	17 719	17 719	-	
	1 120 914 868	44 864 636	1 165 779 504	978 351 731	(187 427 773)	
Total Assets	1 298 965 283	145 585 136	1 444 550 419	1 133 731 859	(310 818 560)	

Liabilities

Current Liabilities

Payables from exchange transactions	53 172 622	227 771 942	280 944 564	22 741 594	(258 202 970)	N23
Taxes and transfers payable (non-exchange)	-	-	-	2 251 168	2 251 168	N24
VAT payable	2 571 062	-	2 571 062	-	(2 571 062)	N18
Consumer deposits	91 505	-	91 505	132 471	40 966	N25
Unspent conditional grants and receipts	58 091 332	(50 315 226)	7 776 106	14 300 023	6 523 917	N26
Employee benefits obligations	(2 831 479)	5 662 479	2 831 000	10 558 625	7 727 625	N27
	111 095 042	183 119 195	294 214 237	49 983 881	(244 230 356)	

Non-Current Liabilities

Employee benefits obligations	3 922 739	-	3 922 739	1 998 000	(1 924 739)	N27
Provisions	1 805 247	-	1 805 247	4 886 339	3 081 092	N28
	5 727 986	-	5 727 986	6 884 339	1 156 353	
Total Liabilities	116 823 028	183 119 195	299 942 223	56 868 220	(243 074 003)	
Net Assets	1 182 142 255	(37 534 059)	1 144 608 196	1 076 863 639	(67 744 557)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Other NDR	26 016 917	-	26 016 917	30 874 974	4 858 057	
Accumulated surplus	1 156 125 338	(37 534 059)	1 118 591 279	1 045 988 665	(72 602 614)	
Total Net Assets	1 182 142 255	(37 534 059)	1 144 608 196	1 076 863 639	(67 744 557)	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	12 386 187	5 013 282	17 399 469	15 830 395	(1 569 074)	C1
Services charges	650 000	(300 000)	350 000	232 954	(117 046)	C2
Other revenue	250 064 349	(190 584 581)	59 479 768	7 188 913	(52 290 855)	C3
Interest income	8 768 920	584 339	9 353 259	5 897 702	(3 455 557)	C4
Government - operating	235 889 774	50 303 081	286 192 855	280 217 161	(5 975 694)	C5
Government - capital	156 930 000	(52 085 010)	104 844 990	113 892 376	9 047 386	C5
	664 689 230	(187 068 889)	477 620 341	423 259 501	(54 360 840)	
Payments						
Suppliers and employees	(250 070 381)	(124 687 596)	(374 757 977)	(229 140 804)	145 617 173	C6
Finance costs	584 339	(584 339)	-	(320 021)	(320 021)	C7
	(249 486 042)	(125 271 935)	(374 757 977)	(229 460 825)	145 297 152	
Net cash flows from operating activities	415 203 188	(312 340 824)	102 862 364	193 798 676	90 936 312	
Cash flows from investing activities						
Capital assets	(169 700 187)	(28 064 636)	(197 764 823)	(168 794 251)	28 970 572	C8
Proceeds from sale of property, plant and equipment	-	-	-	523 522	523 522	C9
Purchase of other intangible assets	-	-	-	(157 390)	(157 390)	C10
Net cash flows from investing activities	(169 700 187)	(28 064 636)	(197 764 823)	(168 428 119)	29 336 704	
Net increase/(decrease) in cash and cash equivalents	245 503 001	(340 405 460)	(94 902 459)	25 370 557	120 273 016	
Cash and cash equivalents at the beginning of the year	102 115 785	255 390 000	357 505 785	101 469 571	(256 036 214)	C11
Cash and cash equivalents at the end of the year	347 618 786	(85 015 460)	262 603 326	126 840 128	(135 763 198)	

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

	Note(s)	2021	2020
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1. Presentation of Annual Financial Statements

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

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

They are presented in South African Rand, and rounded off to the nearest Rand which is the municipality's functional currency.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

The municipality implemented the Municipal Standard Chart of Accounts(mSCOA) during the period ended 30 June 2021 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management, Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

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

These accounting policies are consistent with the previous period.

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Accounting Policies

1.1 Investment property

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property. However, where an Investment Property was acquired through a non transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- Land held for long term capital appreciation rather than for short-term sale in the ordinary course of operations;Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:
- Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner occupied property or for shortterm sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

Equipment or Inventory as appropriate:

- Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner occupied property, including (among other things) property held for future use as owner occupied property, property held for future development and subsequent use as owner occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner occupied property;
- Property that is leased to another entity under a finance lease;
- Property held to provide goods and services and also generates cash inflows; and
- Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

Subsequent Measurement

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 (which ever 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

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Accounting Policies

1.1 Investment property (continued)

disposal of the investment property. Valuations are to be carried out with sufficient frequency owing to the prevailing circumstances, that may warrant a revaluation. i.e erection of a new block of flats next to the rental flat.

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.

Derecognition

The gain or loss arising from the derecognition of an item of Investment Property is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

1.2 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.2 Property, plant and equipment (continued)

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.

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	8 - 50
Mobile offices	Straight-line	5 - 10
Electrical infrastructure	Straight-line	15 - 50
Roads and Paving Infrastructure	Straight-line	8 - 80
Gravel Roads Infrastructure	Straight-line	3 - 10
Landfill Sites	Straight-line	15 - 90
Community assets	Straight-line	5 - 80
Transport assets	Straight-line	5 - 20
Computer equipment	Straight-line	3 - 20
Furniture, Fittings & Office Equipment	Straight-line	3 - 20
Watercraft	Straight-line	15
Bins & Containers	Straight-line	15 - 20
Specialised Plant and Equipment	Straight-line	2 - 15
Other items of Plant & Equipment	Straight-line	4 - 20
Library Books	Straight-line	5 - 20
Leased equipment	Straight-line	Lease period

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 10).

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Accounting Policies

1.2 Property, plant and equipment (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.3 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. The municipality has classified computer software and municipal website

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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Accounting Policies

1.3 Intangible assets (continued)

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	1-4
Website		Indefinite

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

1.4 Heritage assets

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

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

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

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

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

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

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

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

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

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

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

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

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

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

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

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.

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Accounting Policies

1.4 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

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.

Derecognition

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

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

1.5 Financial instruments

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

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

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

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

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

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

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

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

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Accounting Policies

1.5 Financial instruments (continued)

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

- equity instruments or similar forms of unithised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or

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Accounting Policies

1.5 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

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

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

Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable for the following reasons:

- It is management's judgement that the accounts are not "lost events" in terms of GRAP 104.58.
- State Departments and Entities have to pay their creditors within 30 days in terms of the MFMA.
- Interest is charged on all outstanding balances at a rate of 10% per annum.
- There is an urge from National Treasury that State Departments and Entities should start paying their outstanding debt.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

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Accounting Policies

1.5 Financial instruments (continued)

Classification

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

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

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
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost

1.6 Inventories

Inventories comprise stationery for distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

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.

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

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

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

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

1.7 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).

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Accounting Policies

1.7 Impairment of cash-generating assets (continued)

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.

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:

An impairment of assets measured per the revaluation method reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

1.8 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.

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1.8 Provisions and contingencies (continued)

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 52.

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

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

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

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

- financial difficulty of the debtor;

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1.8 Provisions and contingencies (continued)

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

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

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

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money.

The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

Decommissioning, restoration and similar liability

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to Surplus or Deficit.

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 deficit.

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1.9 Revenue from exchange transactions

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

Finance Income

Interest earned on investments is recognised in Surplus or Deficit on the Time-proportionate Basis that takes into account the effective yield on the investment.

Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Revenue from Agency Services

Revenue for agency services is recognised on a daily basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

Sale of goods

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

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

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1.10 Revenue from non-exchange transactions

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a Time-proportionate Basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fines constitute both spot fines and summonses.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable. The municipality uses estimates to determine the amount of revenue that the municipality is entitled to collect that is subject to further legal proceedings.

Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

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

Assets acquired from non-exchange transactions are measured at fair value in accordance with GRAP 23.

Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist. Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Unspent conditional grants are financial liabilities that are separately reflected on the statement of financial position. They represent unspent government grants, subsidies and contributions from government organs. This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

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

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the statement of financial position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in Surplus or Deficit.

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1.10 Revenue from non-exchange transactions (continued)

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

1.11 Presentation currency

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

1.12 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.

1.13 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.

1.14 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:

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Accounting Policies

1.14 Significant judgements and sources of estimation uncertainty (continued)

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

Impairment of Financial Assets

Accounting Policy 1.5 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

Accounting Policy 1.5 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

Impairment of Trade Receivables:

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies and the municipality depreciates its Property, Plant & Equipment and amortises its 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.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management. Estimated impairments during the year to Plant and Equipment, and Intangible Assets are disclosed in Notes 8 and 9 to the Annual Financial Statements, if applicable.

Defined Benefit Plan Liabilities

As described in Accounting Policy 1.18 Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

As described in Accounting Policy 1.18 Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

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1.14 Significant judgements and sources of estimation uncertainty (continued)

Budget Information

Deviations between budget and actual amounts are regarded as material difference

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

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. In addition, goodwill is tested on an annual basis for impairment. 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 [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

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.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 1.18.

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1.14 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

1.15 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.16 Leases

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

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

Operating leases - lessor

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

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

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

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

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

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1.16 Leases (continued)

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.

1.17 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

1.18 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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.

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

A constructive obligation is an obligation that derives from 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.

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1.18 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.

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

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

Post-employment benefits

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

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

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

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1.18 Employee benefits (continued)

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.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

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Accounting Policies

1.18 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.20 Accounting by principals and agents

Identification

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

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.

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Accounting Policies

1.20 Accounting by principals and agents (continued)

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.23 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

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Accounting Policies

1.24 Irregular expenditure (continued)

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.25 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.26 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.27 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisation's (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 2020/06/01 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.

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Accounting Policies

1.28 Related parties

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

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

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

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

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.

1.29 Events after reporting date

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

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

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

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

1.30 Accumulated Surplus

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- The CRR may be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.

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Accounting Policies

1.31 Bad debts written off

Consumer Debtors

When the municipality identifies customer debtors whose debts appear to be irrecoverable even after the whole credit control and debt collection process has been followed in terms of trying to obtain payment, then such accounts should be regarded as irrecoverable.

Once the debt is regarded as irrecoverable during the course of the year it must be grouped with others so that the report is served before the Council soliciting a resolution to write off the irrecoverable debts.

Traffic Fines Debtors

Traffic fines debtors are assessed for each reporting period to establish their collectability where doubtful debtors are identified. Once traffic fines debtors are regarded as irrecoverable during the course of the year, a report of all traffic fines doubtful debtors soliciting a Council resolution is presented to Council for write-offs.

Traffic infringements that have not been served within eighteen (18) months of the date of the alleged offence be withdrawn and/or warrants of arrest that have not been executed within 2 years after the date of authorisation thereof be returned with the control document to the relevant Magistrate for cancellation as per the National Prosecuting Authority South Africa instruction (UNIFORM NATIONAL INSTRUCTION IN RESPECT OF TRAFFIC INFRINGEMENT MATTERS ISSUED BY VARIOUS LAW ENFORCEMENT AGENCIES).

Notes to the Annual Financial Statements

2021

2020

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:

Grap 1	Presentation of Financial Statements
Grap 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 17	Property Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 32	Service Concession Arrangements: Grantor
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests in Other Entities
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfer of Functions Between Entities Under Common Control
GRAP 106	Transfer of Functions Between Entities Not Under Common Control
GRAP 107	Merges
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources
iGRAP 1	Applying the probability Test on initial Recognition of Revenue (As revised in 2012)
iGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
iGRAP 3	Determining whether an arrangement contains a lease

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

iGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Similar Liabilities
iGRAP 5	Applying the Restate Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary
iGRAP 6	Loyalty Programmes
iGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
iGRAP 8	Agreements for the Construction of Assets, Minimum Funding Requirements and their interaction
iGRAP 9	Distributions of Non
iGRAP 10	Assets received from Customers
iGRAP 11	Consolidation

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: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2009	Not expected to impact results but may result in additional disclosure
• Guideline on the Application of Materiality to Financial Statements	01 April 2021	Not expected to impact results but may result in additional disclosure
• Guideline on Accounting for Landfill Sites	01 April 2009	Not expected to impact results but may result in additional disclosure
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2021	Not expected to impact results but may result in additional disclosure
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2021	Not expected to impact results but may result in additional disclosure
• Directive 7 (revised): The Application of Deemed Cost	01 April 2021	Not expected to impact results but may result in additional disclosure
• GRAP 20: Related parties	01 April 2021	Not expected to impact results but may result in additional disclosure
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2021	Not expected to impact results but may result in additional disclosure

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2. New standards and interpretations (continued)

• GRAP 108: Statutory Receivables	01 April 2021	Not expected to impact results but may result in additional disclosure
• GRAP 109: Accounting by Principals and Agents	01 April 2021	Not expected to impact results but may result in additional disclosure
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2021	Not expected to impact results but may result in additional disclosure

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods but are not relevant to its operations:

3. Inventories

Consumables	752 450	899 242
Inventories recognised as an expense during the year	6 364 201	7 442 188

Inventory consumables are held for own use and measured at the lower of cost and current replacement cost. No write downs of inventory to net realisable value were required.

Inventory pledged as security

No inventories have been pledged as collateral for the liabilities of the municipality.

There was no inventory retained as personal protective equipment, by the municipality.

4. Operating lease receivable

Current assets	11 694 610	9 440 013
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Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. The lease receivable recognised is in respect of Non-cancelable Operating Leases.

Leasing Arrangements

The operating lease relate to Property owned by the municipality with lease terms of 2 to 50 years (2019/20 - 2 to 50 years) with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Amounts receivable under Operating Leases

At the Reporting Date the following minimum payments were receivable under Non-cancelable Operating Leases for Property, plant and equipment, which are receivable as follows:

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Notes to the Annual Financial Statements

	2021	2020
4. Operating lease receivable (continued)		
Reconciliation		
Opening balances	9 440 012	7 102 362
Effects of straightlining for the year	2 254 598	2 337 650
	11 694 610	9 440 012
Operating Lease Arrangements		
Up to 1 Year	1 414 122	1 349 323
2 to 5 years	1 663 524	2 831 599
More than 5 years	119 788 289	120 034 336
	122 865 935	124 215 258

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	2021	2020
5. Receivables from exchange transactions		
SALGA Fees Prepayment	1 094 194	-
Consumer debtors - Refuse	829 858	655 024
Consumer debtors - Rent	216 301	684 805
Total Receivables from Exchange Transactions	2 140 353	1 339 829
Refuse		
Current (0 - 30 Days)	151 412	120 469
31 - 60 Days	141 309	140 011
61- 90 Days	137 770	135 920
More than 90 days	7 377 895	6 434 820
Impairment	(6 978 529)	(6 176 196)
	829 857	655 024
Rental		
Current (0- 30 Days)	14 062	78 828
31 - 60 Days	8 662	4 659
61- 90 Days	8 662	4 659
More than 90 days	1 164 495	1 099 699
Impairment	(979 580)	(503 040)
	216 301	684 805
Summary of refuse debtors by customer classification:		
Business / commercial		
Current (0- 30 Days)	29 481	28 859
31 - 60 Days	26 011	26 124
61- 90 Days	25 086	24 834
More than 90 days	1 651 388	1 555 010
Impairment	(1 693 302)	(1 613 879)
	38 664	20 948
Government		
Current (0- 30 Days)	20 382	38 200
31 - 60 Days	20 247	22 690
61- 90 Days	19 745	21 898
More than 90 days	563 065	450 186
	623 439	532 974
Residential		
Current (0- 30 Days)	101 550	53 411
31 - 60 Days	95 051	91 198
61- 90 Days	92 939	89 188
More than 90 days	5 163 442	4 429 624
Impairment	(5 285 227)	(4 562 317)
	167 755	101 104

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Notes to the Annual Financial Statements

2021 2020

5. Receivables from exchange transactions (continued)

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past due nor impaired can be assessed for indicators of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to annual payment rates and incorporates this information into its credit risk credit control. No external credit ratings is performed.

Consumers receivables from refuse removal are billed monthly. Interest is charged on overdue receivables from exchange transactions at a rate of 10% per annum.

The municipality enforces its approved credit policy to ensure the recovery of receivables. None of the financial assets that are fully performing have been renegotiated in the last year.

Trade receivables

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

Trade and other receivables impaired

As of 30 June 2021, trade and other receivables of 9 021 104 (2020: 8 016 656) were impaired and provided for.

The amount of the provision was 7 958 109 as of 30 June 2021 (2020: 6 679 236).

Reconciliation of provision for impairment of trade and other receivables - Refuse

Opening balance	6 176 469	9 783 342
Provision for impairment	802 060	-
Amounts written off as uncollectible	-	(1 078 399)
Unused amounts reversed	-	(2 528 474)
	6 978 529	6 176 469

Reconciliation of provision for impairment of trade and other receivables -

Rentals

Opening balance	503 040	548 687
Provision for impairment	476 540	(45 647)
	979 580	503 040

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	2021	2020
6. Receivables from non-exchange transactions		
Fines	487 668	2 535 896
Assesment rates	7 913 189	8 910 330
	8 400 857	11 446 226
Assessment Rates		
Current (0- 30 Days)	654 751	270 752
31 - 60 Days	744 318	583 894
61 - 90 Days	527 397	536 605
More than 90 Days	30 627 687	29 259 811
Impairment	(24 640 955)	(21 740 732)
	7 913 198	8 910 330
Traffic fines		
Current (0- 30 Days)	289 519	33 315
31 - 60 Days	294 955	229 785
61 - 90 Days	282 267	56 735
91 - 120 Days	2 330 143	35 907 247
Impairment	(2 709 216)	(33 691 186)
	487 668	2 535 896
Summary of assessment rates debtors by customer classification:		
Residential		
Current (0- 30 Days)	201 836	98 886
31 - 60 Days	237 372	215 064
61 - 90 Days	176 956	194 011
91 - 120 Days	7 251 321	5 863 060
Impairment	(7 453 803)	(5 882 275)
	413 682	488 746
Business / Commercial		
Current (0- 30 Days)	449 582	136 165
31 - 60 Days	499 498	366 597
61 - 90 Days	347 109	340 360
91 - 120 Days	16 658 808	15 541 418
Impairment	(17 187 152)	(15 858 456)
	767 845	526 084
Government		
Current (0- 30 Days)	3 333	35 701
31 - 60 Days	7 449	2 233
61 - 90 Days	3 333	2 233
91 - 120 Days	6 752 102	7 855 333
	6 766 217	7 895 500

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Notes to the Annual Financial Statements

2021 2020

6. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Statutory receivables arise from the implementation of the Municipality Property Rates Act through levying of property rates to the properties in Umzimvubu and also through implementation of the Administrative Adjudication of Road Traffic Offences Act through issuing of traffic fines to offenders.

Statutory receivables are as summarised in this note above.

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed for indicators of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to annual payment rates and incorporates this information into its credit risk credit control. No external credit ratings is performed.

Consumers receivables from refuse removal are billed monthly for business and residential households. Government accounts are billed annually. Interest is charged on overdue consumers receivables at a rate of 10% per annum.

No interest is charged on overdue traffic fines debtors.

The municipality enforces its approved credit policy to ensure the recovery of receivables. None of the financial assets that are fully performing have been renegotiated in the last year.

Ageing of Receivables from Non-exchange Transactions

Other receivables from non-exchange transactions which are government debt and past due are not considered to be impaired.

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

1 month past due	7 449	24 923
2 months past due	3 333	24 131
3 months past due	6 752 102	8 390 349

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

Opening balance	21 740 732	22 687 191
Provision for impairment	2 900 223	14 590 041
Amounts written off as uncollectible	-	(15 536 500)
	24 640 955	21 740 732

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

Opening balance	33 691 186	24 116 855
Provision for impairment	2 709 216	9 574 331
Amounts written off as uncollectible	(33 691 186)	-
	2 709 216	33 691 186

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	2021	2020
7. VAT receivable		
VAT	5 568 716	4 767 925
Description of tax		
VAT 201 Statement of Account Balance as at June	4 578 199	4 349 859
Output VAT - Accrued	(821 581)	(750 425)
Input Vat - Accrued	1 812 097	1 168 491
	5 568 715	4 767 925

VAT is payable/refundable on the receipts/payment basis. Only once payment is received from debtors, payment made to creditors, VAT is paid over/received from to SARS.

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

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	55 335 007	33 795 098
Current Investments	71 488 134	67 657 486
Net Bank, Cash and Cash Equivalents	126 823 141	101 452 584

For the purposes of the Statement of Financial position and the Cash flow statement, Cash and Cash equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank overdrafts.

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

Notice deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 1.90% to 6.00% (2020: 5.08% to 5.68%) per annum.

Call deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.90% to 10.50% (2020 : 3.90% to 7.00%) per annum.

The municipality did not pledge any of its Cash and Cash equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash equivalents recorded at amortised cost in the Financial Statements approximate their fair values.

The fair value of Current investment deposits, Bank balances, Cash and Cash equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

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Notes to the Annual Financial Statements

2021 2020

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number and 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-Service Delivery Reserve - 620-3325-4723	66 746 777	45 496 534	16 066 414	66 746 777	45 496 533	16 066 414
FNB-Operational Investment - 620-2945-0715	17 509 188	21 374 832	25 995 161	17 509 188	21 374 933	25 995 161
FNB-Municipal Infrastructure Grant(MIG) -620-8603-6714	2 851 686	593 039	10 834 116	2 851 686	593 050	10 834 116
FNB-Guarantee Investment-620-6874-2157	310 891	304 992	292 761	310 891	304 991	292 761
FNB-Financial Management Grant(FMG)-622-7618-7294	2 727	24 154	622 367	2 727	24 154	622 367
FNB-Electrification Programme - 622-8856-0925	1 131 113	2 400 000	2 310 170	1 131 113	2 400 000	2 310 170
Nedbank - Capital Replacement Reserve Account-788-1112-786	30 891 961	29 989 441	27 925 595	30 891 961	29 989 441	27 925 595
Primary Account FNB a/c No: 620-2218-3727	449 680	840 842	2 050 483	449 680	857 720	2 080 029
FNB-Traffic Fine-627-5889-3905	557 618	445 737	3 457 553	557 618	445 737	3 457 553
FNB-Housing Project Fund 628-9151-9971	6 163 050	-	-	6 163 050	-	-
FNB Solidarity Fund 628-5499-2099	190 403	-	-	190 403	-	-
FNB Retention 628-6002-9000	18 046	-	-	18 046	-	-
Total	126 823 140	101 469 571	89 554 620	126 823 140	101 486 559	89 584 166

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Notes to the Annual Financial Statements

9. Investment property

	2021		2020			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	18 071 400	-	18 071 400	14 730 000	-	14 730 000

Reconciliation of investment property - 2021

Investment property	Opening balance	Fair value adjustments	Total
	14 730 000	3 341 400	18 071 400

Reconciliation of investment property - 2020

Investment property	Opening balance	Fair value adjustments	Total
	13 640 257	1 089 743	14 730 000

Fair value of investment properties

18 071 400 14 730 000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. No impairment losses have been recognised on Investment Property of the municipality at the reporting date

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Notes to the Annual Financial Statements

2021 2020

9. Investment property (continued)

Amounts recognised in surplus or deficit

Rental revenue from investment property	3 603 921	3 598 300
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Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

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

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Impairment of Investment property

No impairment losses have been recognised on investment property of the municipality at the reporting date.

Work-in-progress

The municipality had no capital projects for Investment property which were not completed at year-end.

Delayed projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

Umzimvubu Local Municipality

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Notes to the Annual Financial Statements

10. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	36 425 970	-	36 425 970	36 425 970	-	36 425 970
Buildings	396 766 930	(118 606 559)	278 160 371	336 276 373	(110 654 687)	225 621 686
Infrastructure	1 783 523 294	(1 160 066 991)	623 456 303	1 680 811 491	(1 053 977 778)	626 833 713
Computer equipment	9 104 878	(6 201 180)	2 903 698	9 356 835	(6 658 803)	2 698 032
Machinery and Equipment	12 143 508	(6 686 549)	5 456 959	11 633 656	(5 692 381)	5 941 275
Office equipment	11 766 557	(7 413 775)	4 352 782	11 754 144	(7 619 388)	4 134 756
Transport Assets	13 732 768	(6 719 505)	7 013 263	14 970 691	(7 075 709)	7 894 982
Total	2 263 463 905	(1 305 694 559)	957 769 346	2 101 229 160	(1 191 678 746)	909 550 414

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	36 425 970	-	-	-	-	36 425 970
Buildings	225 621 686	60 500 982	-	(7 962 297)	-	278 160 371
Infrastructure	626 833 713	102 463 703	-	(96 928 486)	(8 912 627)	623 456 303
Computer equipment	2 698 032	1 281 339	(36 887)	(1 036 900)	(1 886)	2 903 698
Machinery and Equipment	5 941 275	1 172 980	(95 574)	(1 464 623)	(97 099)	5 456 959
Office equipment	4 134 756	1 370 031	(156 118)	(976 885)	(19 002)	4 352 782
Transport Assets	7 894 982	2 005 216	(1 436 116)	(1 450 819)	-	7 013 263
Total	909 550 414	168 794 261	(1 724 695)	(109 820 010)	(9 030 614)	957 769 346

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Notes to the Annual Financial Statements

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Impairment loss	Total
Land	36 425 970	-	-	-	36 425 970
Buildings	199 029 289	36 583 928	(7 284 803)	(2 706 728)	225 621 686
Roads Infrastructure	672 913 082	63 667 312	(99 368 645)	(10 378 036)	626 833 713
Computer equipment	2 788 877	729 888	(820 733)	-	2 698 032
Machinery and Equipment	4 119 220	2 795 388	(973 333)	-	5 941 275
Office equipment	3 843 233	1 084 336	(792 813)	-	4 134 756
Transport Assets	7 327 578	1 948 535	(1 381 131)	-	7 894 982
	926 447 249	106 809 387	(110 621 458)	(13 084 764)	909 550 414

Assets pledged as security

The municipality did not pledge any of its assets as security.

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	77 087 268	70 713 112	147 800 380
Additions/capital expenditure	102 463 703	60 500 982	162 964 685
Transferred to completed items	(54 359 067)	(54 552 749)	(108 911 816)
	125 191 904	76 661 345	201 853 249

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Notes to the Annual Financial Statements

	2021	2020
10. Property, plant and equipment (continued)		
Reconciliation of Work-in-Progress 2020		
	Included within Infrastructure	Included within Community
Opening balance	68 257 260	61 064 734
Additions/capital expenditure	63 667 312	36 583 928
Transferred to completed items	(54 837 304)	(26 935 550)
	77 087 268	70 713 112
		147 800 380

Expenditure incurred to repair and maintain property, plant and equipment included in statement of financial performance

Contracted services	8 295 132	4 390 919
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Total Expenditure related to Repairs and Maintenance Projects

Maintenance of Buildings and Facilities	1 182 955	1 932 757
Maintenance of Computer Equipment	1 413 464	668 128
Maintenance of Infrastructure assets	2 327 634	329 021
Maintenance of Machinery and Equipment	576 802	553 284
Maintenance of Transport assets	2 794 277	907 729

Maintenance of property, plant and equipment

Delayed projects

The municipality has projects that are currently experiencing delays or were halted. For each project, the reason for the delay or halting of the project are noted. The carrying amount of those assets included in the balance of Property, Plant and Equipment are listed below:

Tyinirha Bridge – Due to high water levels on the river the project experienced lengthy span of suspension of works. The high water levels resulted in high velocity in flow of water which swept away the scaffolding of the contractor which had a huge impact on the project delays. Progress on site is not satisfactory, the instruction was issued to the contractor to expedite the progress on site. The bridge deck is complete and the outstanding items to complete the project is the balustrates and one wing wall. The project to be completed before the 30th of September 2021. Expenditure to date is R12 323 213 (2020: R11 252 906).

Nophoyi Sport Field- The project is in our 3YCP with the intentions to advertise and complete the project. Service provider was terminated due to poor progress on site. The only outstanding item to complete the project was the grassing, however the recent heavy rainfalls caused major damages on the sport field. Expenditure to date is R3 390 430 (2020: R3 390 430).

Silindini Bridge- Similar to Tyinira, the high water levels had huge delays on the project and moreover the river banks were washed by these high volumes of water flows as such this resulted additional scope of works which was not catered for in our tender documentation. The extension of time was granted, and the Contractor awaiting the approval of VO for major earthworks that were not part of the scope. The project is still under construction. The project to be completed before the end of November 2021 including the extra works. Expenditure to date is R7 685 768 (2020: R7 971 157)

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Notes to the Annual Financial Statements

2021

2020

10. Property, plant and equipment (continued)

Infrastructure services on Municipal Plots(Scientific roots) –The project is in our 3YCP with the intention to implement the project. The appointment was only for the professional services. The detailed designs were done and due to budgetary constraints, the Municipality was unable to proceed with the actual construction. Expenditure to date is R1 167 567 (2020: R666 615).

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Notes to the Annual Financial Statements

11. Intangible assets

	2021		2020			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5 843 452	(3 350 186)	2 493 266	5 686 062	(2 865 946)	2 820 116

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	2 820 116	157 390	(484 240)	2 493 266

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	2 302 837	898 964	(381 685)	2 820 116

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2021

2020

11. Intangible assets (continued)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance see Note 38.

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets, but not the Website as it is considered to be constantly maintained and therefore have an indefinite economic useful life and such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

Work-in-Progress

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

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Notes to the Annual Financial Statements

12. Heritage assets

	2021		2020	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
Mayoral chain	17 719	-	17 719	17 719
				Accumulated impairment losses
				Carrying value
				17 719

Reconciliation of heritage assets 2021

Mayoral chain	Opening balance	Total
	17 719	17 719

Reconciliation of heritage assets 2020

Mayoral chain	Opening balance	Total
	17 719	17 719

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Notes to the Annual Financial Statements

2021 2020

12. Heritage assets (continued)

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Depreciation and Impairment

In accordance with GRAP 103, a Heritage Asset have an indefinite life and their value appreciates over time due to their cultural, environmental, educational, natural scientific, technological, artistic or historical significance; and shall not be depreciated but an entity shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

Heritage Assets measured after recognition using the Cost Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

Work-in-Progress

The municipality had no capital projects for Heritage Assets which were not completed at year-end.

Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

13. Payables from exchange transactions

Trade payables	21 360 965	28 221 015
Retentions	1 380 629	1 205 314
Total Payables	22 741 594	29 426 329

14. Payables from Non-Exchange Transactions

Advance receipts - Taxes	2 251 168	2 397 185
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No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

15. Consumer deposits

Rental Deposits	132 471	106 053
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Notes to the Annual Financial Statements

	2021	2020
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Intergrated National Electrification Programme	3 021 066	4 026 991
Small Town Revitalisation	1 618 472	-
Human Settlements Housing Project	6 160 485	-
Provincial: Department of Cooperative Government & Traditional Affairs	-	1 197
Extended Public Works Programme - Cleansing Project Peri-Urban	3 500 000	-
	14 300 023	4 028 188
Movement during the year		
Balance at the beginning of the year	4 028 188	2 515 332
Additions during the year	119 042 959	79 429 242
Income recognition during the year	(108 771 124)	(77 916 386)
	14 300 023	4 028 188

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

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

See note 34 for reconciliation of grants from National/Provincial Government.

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

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Notes to the Annual Financial Statements

			2021			2020
17. Employee benefits obligations						
Reconciliation of employee benefits obligations - 2021						
	Opening Balance	Additions	Utilised during the year	Interest costs	Actuarial (gain) / loss	Total
Bonus accrual	2 180 142	2 217 779	(2 180 141)	-	-	2 217 780
Provision for leave pay	7 514 452	1 661 657	(1 435 134)	-	-	7 740 975
Provision for performance bonus	470 187	277 870	(470 187)	-	-	277 870
Long Service Awards Liability	2 197 000	347 000	(229 000)	149 000	(144 000)	2 320 000
	12 361 781	4 504 306	(4 314 462)	149 000	(144 000)	12 556 625
Reconciliation of employee benefits obligations - 2020						
	Opening Balance	Current service cost	Utilised during the year	Interest costs	Actuarial (gain) / loss	Total
Bonus accrual	1 934 774	2 180 142	(1 934 774)	-	-	2 180 142
Provision for leave pay	6 762 992	751 460	-	-	-	7 514 452
Provision for performance bonus	470 187	-	-	-	-	470 187
Long Service Awards Liability	2 016 037	321 697	(210 790)	154 354	(84 298)	2 197 000
	11 183 990	3 253 299	(2 145 564)	154 354	(84 298)	12 361 781
Non-current liabilities					1 998 000	1 968 000
Current liabilities					10 558 625	10 393 781
					12 556 625	12 361 781

Provision for leave pay

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The liability is an estimate of the amount due at the reporting date.

Provision for performance bonus

A performance bonus, is for senior managers and assistant managers. It is not guaranteed and as it is based on the achievements of the individual against the targets set out in his/her performance agreement. The payment of bonuses is purely based on performance then there is no legal obligation on a municipality to make such payments.

However a constructive obligation is created through the assessment of employees' performance throughout the year and the fact that the municipality has a practice of paying performance bonuses.

Long service awards liability

Long Service Awards are provided to employees who achieve certain predetermined milestones of service within the municipality

The following members are eligible for long service bonuses:

In-service members	160	155
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Unfunded Accrued Liability

Total value of liabilities	2 320 000	2 197 000
Value of assets	-	-
	2 320 000	2 197 000

Expected current portion of liability (due within 12 months)	322 000	229 000
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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
17. Employee benefits obligations (continued)		
Expected non-current portion of liability (due thereafter)	1 998 000	1 968 000
	2 320 000	2 197 000

Key Actuarial Assumptions used are as follows:

Discount rate	9,06 %	7,14 %
General Salary Inflation (long-term)	5,76 %	3,83 %
Net Effective Discount Rate applied to salary-related Long Service Bonuses	3,12 %	3,19 %
Average retirement age	62	62
	-	-

Last Valuation

The last valuation was performed in August 2020.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

The amounts recognised in the Statement of Financial Performance are:

Employee related costs - Current Service Cost	347 000	321 697
Finance Charges - Interest Cost	149 000	154 354
Actuarial Losses / (Gain)	(144 000)	(84 298)
Expected benefits vesting / paid during the year (N1)	(322 000)	(229 000)
	30 000	162 753

N1 - This is the total value of the long-service awards that were expected to be awarded to eligible employees over the year, based on the data at the previous valuation date. Employees are usually entitled to take this award in whole or in part as cash, with the remainder taken as leave. Therefore, this figure should not be confused as being only the amount of cash paid out in respect of the award. It represents the amount actually paid out in cash AND the portion that was either taken or "stored" as leave.

If the actual amount of benefits vested is to be included instead in the above table, then the Actuarial Loss / (Gain) must change to exactly offset the impact, such that the Closing Accrued Liability remains unchanged. For example, if the actual amount of benefits vested was R100,000 lower than the estimate (based on last year's data), then the Actuarial Loss / (Gain) would have to reduce by R100,000 to leave the Closing Accrued Liability as is.

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	% Change	Liability	% Change
Central assumptions		2 443 000	
General earnings inflation rate	+1%	2 443 000	+5%
	-1%	2 207 000	-5%
Discount rate	+1%	2 200 000	-5%
	-1%	2 453 000	+6%
Average retirement age	+2 years	2 405 000	+4%
	-2 years	2 198 000	-5%
Withdrawal rates	x2	1 837 000	-21%
	x0.5	2 643 000	+14%

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Notes to the Annual Financial Statements

				2021	2020
17. Employee benefits obligations (continued)					
Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central assumptions		347 000	149 000	496 000	
General earnings inflation rate	+1%	374 000	159 000	530 000	+7%
	-1%	325 000	142 000	467 000	-6%
Discount rate	+1%	327 000	161 000	488 000	-2%
	-1%	369 000	137 000	506 000	+2%
Average retirement age	+2 years	355 000	156 000	511 000	+3%
	-2 years	333 000	143 000	476 000	-4%
Withdrawal rates	x2	248 000	115 000	363 000	-27%
	x0.5	417 000	174 000	591 000	+19%

18. Provisions

Decommissioning, restoration and similar liabilities: Landfill sites decommissioning is estimated by means of a valuation performed by a professional valuator to determine the future cost of dismantling the landfill site. The cost is then reduced to take into account the time value of money at the weighted average investing rate of the municipality.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph 61 of GRAP 19.

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

The municipality operates two landfill sites which are Mt Ayliff and Mt Frere sites. These sites have a remaining life of 11 and 36 years respectively before they can be rehabilitated. The expected growth of waste generation is 0.85% with an average density of waste of 0.75T/cubic metre.

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020	
18. Provisions (continued)			
Reconciliation of provision for environmental rehabilitation			
Non-current liabilities	4 886 339	4 574 445	
Reconciliation of provision for environmental rehabilitation			
Opening balance	4 574 445	3 922 739	
Change in discount factor	140 873	525 002	
Interest cost	171 021	126 704	
	4 886 339	4 574 445	
Key Actuarial Assumptions used are as follows:			
	2021	2020	2019
Discount rate (D)	10,81 %	11,28 %	9,64 %
Consumer price inflation	7,07 %	6,61 %	6,21 %
Net Discount rate $((1+D)/(1+H)-1)$	3,50 %	4,38 %	3,23 %
Excavatable cover depth	3,0m		
Cover to waste ration	1 to 4		
Unfunded Accrued Liability			
Value of obligation	4 886 339	4 574 445	
Value of assets	-	-	
	4 886 339	4 574 445	
The amounts recognised in the Statement of Financial Performance are:			
Balance of change in provision of obligations	140 873	525 002	
Interest cost	171 021	126 704	
	311 894	651 706	
Total raw costs for 30 June 2021 for closure and rehabilitation			
	Mt Ayliff	Mt Frere	Total
Planning for closure	772 515	772 515	1 545 030
Rehabilitation and closure	1 257 912	2 975 153	4 233 065
Post-Closure monitoring	2 369 782	3 064 377	5 434 159
	4 400 209	6 812 045	11 212 254
19. Capital replacement reserve			
Capital replacement reserve	29 972 454	27 925 595	
Transfer into capital replacement reserve	902 520	2 046 859	
	30 874 974	29 972 454	
20. Accumulated surplus			
Accumulated Surplus/(Deficit) due to the results of operations	1 045 988 672	973 597 627	
Accumulated Surplus/(Deficit)	-	-	

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
21. Revenue		
Sale of goods	1 246 761	991 222
Service charges	1 210 121	1 096 785
Rental of facilities and equipment	3 760 203	3 727 649
Interest received - trading	4 364 555	7 757 107
Agency services	2 231 470	1 752 963
Licences and permits - Exchange transactions	1 913 901	1 903 327
Licences and permits - Non-Exchange transactions	159 232	228 708
Actuarial gains	144 000	84 298
Fair value adjustments	3 200 527	564 741
Operational revenue	86 530	1 183 069
Property rates	17 733 488	16 728 512
Interest, dividends and rent on land	1 533 147	2 143 095
Government grants and subsidies	383 837 790	297 357 242
Fines, penalties and forfeits	3 998 274	11 008 328
	425 419 999	346 527 046

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

Sale of goods	1 246 761	991 222
Service charges	1 210 121	1 096 785
Rental of facilities and equipment	3 760 203	3 727 649
Interest received - trading	4 364 555	7 757 107
Agency services	2 231 470	1 752 963
Licences and permits	1 913 901	1 903 327
Operational revenue	86 530	1 183 069
Fair value adjustments	3 200 527	564 741
Actuarial gains	144 000	84 298
	18 158 068	19 061 161

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

Taxation revenue		
Property rates	17 733 488	16 728 512
Licences or permits	159 232	228 708
Interest, dividends and rent on land	1 533 147	2 143 095
Transfer revenue		
Government grants and subsidies	383 837 790	297 357 242
Fines, penalties and forfeits	3 998 274	11 008 328
	407 261 931	327 465 885

22. Sale of goods

Advertisement	177 891	274 265
Building plans	429 705	329 061
Cemetery and burials	34 478	26 898
Clearance certificate	13 688	3 506
Entrance fees	3 325	29 254
Special concert	548	3 130
Application fees for land use	1 837	4 017
Sale of goods	585 290	271 091
Informal traders	-	50 000
	1 246 762	991 222

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	2021	2020
23. Service charges		
Refuse removal	1 210 121	1 096 785

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

24. Rental of facilities and equipment

Facilities and equipment

Adhoc rental income from other assets	156 282	129 349
Investment property	3 603 921	3 598 300
Total rental from facilities and equipment	3 760 203	3 727 649

Rental income generated are at market related premiums. All rental income recognised is therefore market related.

25. Interest received - Exchange Transactions

Interest received - debtors	482 344	423 747
Interest received - bank	128 504	216 018
Interest received - investments	3 753 707	7 117 342
	4 364 555	7 757 107

26. Agency services

Vehicle Registration	2 231 470	1 752 963
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The Municipality is an agent for the Department of Transport wherein it is delegated to register and licence motor vehicles on its behalf.

There are no assets or liabilities that are held or incurred on behalf of the principal and recognised in our financial statements. The risks associated with the principal-agent relationship that exist on any monies collected by the municipality on behalf of the principal lies solely with the municipality.

During the year, all collections made are banked and paid over to the Department of Transport on a weekly basis.

The income due to the municipality according to the agreement is 19% of the amount collected subject to certain conditions as per the Service Level Agreement and National Road Traffic Act, Act 93 of 1996. During the year, a total of R11 031 777 (2020: R8 284 568) was collected gross of commission.

All monies due to the principal were transferred to the principal and no amounts were owing at year end.

Minimal risk was transferred from the Department of Transport, as the principal, to Umzimvubu Municipality, as the agent, beyond the cash collected on behalf of the principal.

27. Licences and permits

Motor vehicle licences	213 705	170 051
Driver licence certificate	1 700 196	1 733 276
Total Licences and Permits	1 913 901	1 903 327

28. Operational Revenue

Other income	86 530	1 183 069
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	2021	2020
29. Fair value adjustments		
Fair value adjustment of provision for landfill site and investment properties	3 200 527	564 741
30. Actuarial gains		
Actuarial gains	144 000	84 298
31. Property rates		
Rates received		
Property rates	17 733 488	16 728 512
	2021	2020
Residential	1 727 195	2 264 603
Commercial	4 939 878	4 657 003
State	11 066 415	9 806 906
Subtotal	17 733 488	16 728 512
	17 733 488	16 728 512
Valuations		
Residential	498 746 100	498 746 100
Commercial	352 408 500	352 408 500
State	582 171 976	582 171 976
	1 433 326 576	1 433 326 576
<p>Annual valuation are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions. Rates tariffs remain the same as 2020 (Agricultural 0.0017, Residential 0.0066, Business 0.0132, Vacant stands 0.0132, Government properties 0.0165, and Public service Infrastructure 0.0017).</p> <p>Rates are levied monthly on property owners and are payable on the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is levied at a rate of 10% as determined by council on outstanding rates amounts.</p> <p>Welfare organisations are exempted from the payment of rates, while the first R15 000 of the valuation on improved residential properties exempted from payment of rates. An additional rebate of 25% of the current year rates are allowed for senior citizens, disabled persons and medically boarded property owners. There is a 15% rebate of rates allowed for the three years of a newly developed property from the date of issuance of certificate of occupancy.</p>		
32. Licences and permits		
Trading	159 232	228 708
33. Interest received - Non-Exchange Transactions		
Interest received - debtors	1 533 147	2 143 095

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	2021	2020
34. Government grants and subsidies		
Operating grants		
Equitable share	274 947 000	217 928 000
Departmental agencies and accounts (SETA)	119 577	140 970
Expanded Public Works Programme (EPWP)	2 700 000	2 512 000
Provincial (COGTA) grants - Library	750 584	1 257 788
Finance Management Grant (FMG)	1 700 000	1 770 000
Disaster Relief Grant	-	536 000
Total Operating grants	280 217 161	224 144 758
Capital grants		
Municipal Infrastructure Grant	55 423 091	46 433 925
Integrated National Electrification Grant	21 711 924	22 749 180
Provincial: Department of Cooperative Government & Traditional Affairs (COGTA)	613	1 029 379
Small Town Revitalisation	26 485 001	3 000 000
	103 620 629	73 212 484
Total Capital grants and Operating grants	383 837 790	297 357 242
Summary of transfers:		
Included in above are the following grants and subsidies received:		
Conditional grants received	119 162 535	81 038 474
Unconditional grants received	274 947 000	218 604 970
	394 109 535	299 643 444
National Governments		
Balance unspent at beginning of year	4 026 990	1 892 541
Current-year receipts	351 076 000	294 063 554
Conditions met - transferred to revenue	(352 081 925)	(291 929 105)
	3 021 065	4 026 990
Conditions still to be met - remain liabilities (see note 16).		
Provide explanations of conditions still to be met and other relevant information.		
Provincial governments		
Balance unspent at beginning of year	1 197	622 791
Current-year receipts	43 033 535	4 665 549
Conditions met - transferred to revenue	(31 755 775)	(5 287 143)
	11 278 957	1 197
Conditions still to be met - remain liabilities (see note 16).		
Provide explanations of conditions still to be met and other relevant information.		
Equitable Share		
Current-year receipts	274 947 000	217 928 000
Conditions met - transferred to revenue	(274 947 000)	(217 928 000)
	-	-

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	2021	2020
34. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 16).		
Provide explanations of conditions still to be met and other relevant information.		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	23 371
Current-year receipts	55 423 000	46 411 000
Conditions met - transferred to revenue	(55 423 000)	(46 433 925)
Other	-	(446)
	-	-

These grants are allocated for the construction of roads. Provide for new, rehabilitation and upgrading of municipal infrastructure as part of upgrading of poor households, micro enterprises and social institutions.

Financial Management Grant

Current-year receipts	1 700 000	1 770 000
Conditions met - transferred to revenue	(1 700 000)	(1 770 000)
	-	-

To help in implementation of financial management reforms required by the MFMA.

Expanded Public Works Programme Grant

Current-year receipts	2 700 000	2 512 000
Conditions met - transferred to revenue	(2 700 000)	(2 512 000)
Other	-	-
	-	-

These grants were used for contingency measures put in place for disasters within the municipal area and creation of jobs.

Integrated National Electrification Programme

Balance unspent at beginning of year	4 026 991	1 869 170
Current-year receipts	20 706 000	24 907 000
Conditions met - transferred to revenue	(21 711 925)	(22 749 179)
	3 021 066	4 026 991

Conditions still to be met - remain liabilities (see note 16).

This grant is utilised for addressing electrification backlog of all existing and planned residential dwellings (including informal settlements, new, and existing dwellings) and installation of relevant bulk infrastructure.

Provincial grants - Small Town Revitalization

Balance unspent at beginning of year	-	621 594
Current-year receipts	28 103 473	4 665 549
Conditions met - transferred to revenue	(26 485 001)	(5 287 143)
	1 618 472	-

Conditions still to be met - remain liabilities (see note 16).

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2021

2020

34. Government grants and subsidies (continued)

This is a town revitalization project initiated by the Office of the Premier to revitalize Emaxisebeni town and KwaBhaca. Invoices are paid by the office of the premier on presentation by the service provider .

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Notes to the Annual Financial Statements

	2021	2020
34. Government grants and subsidies (continued)		
Provincial: Department of Cooperative Government & Traditional Affairs (COGTA)		
Balance unspent at beginning of year	613	114 443
Current-year receipts	-	915 549
Conditions met - transferred to revenue	(613)	(1 029 379)
	-	613

Conditions still to be met - remain liabilities (see note 16).

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

Provincial grants - Human Settlement Housing Project

Current-year receipts	6 160 485	-
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Conditions still to be met - remain liabilities (see note 16).

This is a Department of Human Settlement project for which the municipality is appointed as an agent to complete housing projects for three villages within Umzimvubu municipality jurisdiction.

Department of Sports and Recreation - Library Grant

Balance unspent at beginning of year	584	508 348
Current-year receipts	750 000	750 000
Conditions met - transferred to revenue	(750 584)	(1 257 788)
Other	-	24
	-	584

Conditions still to be met - remain liabilities (see note 16).

These grants were used for Kwa-Bhaca and Emaxesibeni Library expenses.

Disaster Relief Grant

Current-year receipts	-	536 000
Conditions met - transferred to revenue	-	(536 000)
	-	-

This grants were used for Covid 19 disaster relief.

Extended Public Works Programme - Cleansing Project Peri-Urban

Current-year receipts	3 500 000	-
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Conditions still to be met - remain liabilities (see note 16).

This grant is for the cleaning of rivers and water reticulation sites.

SETA Grant

Current-year receipts	119 577	140 970
Conditions met - transferred to revenue	(119 577)	(140 970)
	-	-

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	2021	2020
34. Government grants and subsidies (continued)		
Grant received from SETA and used for employee trainings and development.		
35. Fines, penalties and forfeits		
Law Enforcement Fines	3 371 481	10 105 270
Pound Fees Fines	626 793	903 058
	3 998 274	11 008 328
36. Employee related costs		
Basic	52 473 102	47 602 261
Bonus Allowance	4 587 693	3 731 337
Medical aid - company contributions	4 037 220	3 962 836
Unemployment Insurance Fund	407 451	344 731
Workers Compensation Assistance	430 372	380 149
Skills Development Levy	662 813	703 223
Leave pay provision charge	226 523	1 801 066
Contribution to pension funds	8 572 447	7 605 025
Travel, motor car and other allowances	3 576 761	4 168 928
Overtime payments	1 781 906	796 502
Long-service awards	228 606	252 418
Housing benefits and allowances	2 564 031	2 335 033
Bargaining Council Levy	22 822	20 904
Accommodation, Travel and Incidental Cost	-	50 293
Standby Allowance	1 060 460	948 403
	80 632 207	74 703 109
37. Remuneration of councillors		
Executive Major	905 123	905 123
Speaker	732 530	732 530
Chief whip	686 437	686 438
Executive committee	4 633 103	4 633 105
Councillors	13 119 954	13 103 234
	20 077 147	20 060 430
In-kind benefits		
The Executive Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor and Speaker have use of a Council owned vehicle for official duties.		
Additional information		
The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa and within the limits set by the Remuneration of Public Office Bearers Act No 20 of 1998.		
38. Depreciation and amortisation		
Property, plant and equipment	109 820 010	110 621 458
Intangible assets	484 240	381 685
Total Depreciation and Amortisation	110 304 250	111 003 143

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	2021	2020
39. Impairment losses		
Impairments		
Property, plant and equipment	9 030 634	13 084 765
Receivables from Exchange Transactions	1 278 875	(2 934 311)
Receivables from Non-exchange Transactions	5 609 448	24 072 511
	15 918 957	34 222 965
40. Finance costs		
Interest on provision for landfill sites	171 021	126 704
Interest on employee benefits	149 000	154 354
	320 021	281 058
41. Lease rentals on operating lease		
Furniture and office equipment	203 849	330 812
Transport assets	-	12 960
	203 849	343 772
42. Debt impairment		
Bad debts written off	2 216 061	-
43. Inventory consumed		
Inventory consumed	6 134 330	7 442 188
44. Contracted services		
Outsourced services		
Business and Advisory	179 920	1 044 104
Catering Services	134 114	120 313
Internal Auditors	605 283	1 056 107
Personnel and Labour	10 546 163	9 255 582
Professional Staff	23 643	132 657
Security Services	12 601 803	11 033 402
Traffic Fines Management	-	656 073
Consultants and professional services		
Business and Advisory	12 692 461	8 989 607
Infrastructure and Planning	2 426 949	2 733 333
Legal Cost	3 587 078	3 045 472

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	2021	2020
44. Contracted services (continued)		
Contractors		
Artists and Performers	-	675 400
Building	598 384	652 174
Catering Services	4 578 327	5 489 731
Employee Wellness	29 024	7 644
Event Promoters	880 673	1 014 226
Graphic Designers	225 800	166 955
Maintenance of Buildings and Facilities	1 025 955	1 945 427
Maintenance of Equipment	2 713 990	2 910 607
Maintenance of Unspecified Assets	2 327 634	468 413
Tracing Agents and Debt Collectors	992 318	174 652
Safeguard and Security	-	281 000
Stage and Sound Crew	-	298 350
	56 169 519	52 151 229

45. Transfers and subsidies paid

Operational Grants		
Bursaries for scarce skills	368 178	271 388
Monetary allocations	736 748	931 830
	1 104 926	1 203 218

46. Loss on disposal of assets

Description of the asset(s), group of assets and liabilities or, component

Carrying values		
Carrying value of assets disposed off	1 843 550	-
Cash Receipts from insurance proceeds	(642 377)	-
Loss on disposal of assets	1 201 173	-

Facts and circumstances of the disposal

Municipal assets were either damaged, lost or they were found to not offer limited service potential and were thus disposed.

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	2021	2020
47. Operating costs		
Achievements and awards	823 176	624 553
Advertising fees	3 500 650	2 382 489
Agrarian reform	-	23 000
Auditors fees	4 522 749	3 825 382
Bank charges	316 231	357 187
Bursaries (Employees)	675 938	351 684
Communication	4 644 208	3 593 387
Drivers licences and permits	169 534	182 016
External computer services	855 250	980 589
Fines and penalties	700	1 124 058
Hire charges	10 118 769	8 054 378
Indigent relief	5 888 387	6 619 406
Insurance underwriting	2 337 417	2 071 839
Learnerships and internships	2 187 598	229 484
Municipal services	1 525 232	1 964 972
Printing publications and books	680 097	425 509
Professional bodies membership and subscriptions	1 523 366	567 116
Registration fees	4 166 921	2 662 176
Remuneration to ward committees	3 784 830	3 744 000
Resettlement cost	-	100 673
Seating allowance for traditional leaders	189 600	224 800
Signage	-	151 163
Transport provided as part of departmental activities	1 684 300	880 639
Travel agency and visa's	163 272	248 017
Travel and subsistence	3 190 530	5 157 048
Uniform and protective clothing	2 215 068	1 367 830
Vehicle licensing	70 113	52 869
Wet fuel	2 610 065	2 070 795
	57 844 001	50 037 059
48. Auditors' remuneration		
Fees	4 522 749	3 825 382

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	2021	2020
49. Cash generated from operations		
Surplus for the year	73 293 558	(4 921 125)
Adjustments for:		
Depreciation and amortisation	110 304 250	111 003 143
Losses on Disposal of Property, Plant and Equipment	1 201 173	-
Fair value adjustments	(3 200 527)	(564 741)
Impairment loss	15 918 957	34 222 965
Debt impairment	2 216 061	-
Movements in operating lease assets and accruals	(2 254 597)	(2 898 692)
Contribution to Provisions - Current	-	192 841
Movement in provision account for above and also in the debtors movement	320 021	6 957 582
Provision for leave	(154 706)	-
Leave provision	226 523	-
Actuarial gain - Employee benefit	(144 000)	-
Contributions to employee benefit for the year	118 000	-
Changes in working capital:		
Inventories	146 792	(185 984)
Consumer debtors	(2 079 399)	(16 126 356)
(Increase) in receivables from non-exchange transactions	(4 780 140)	(1 987 652)
Payables from exchange transactions	(6 684 735)	(7 245 865)
VAT	(800 791)	917 137
Taxes and transfers payable (non-exchange)	(146 017)	(2 530 335)
Unspent conditional grants and receipts	10 271 835	1 512 856
Increase in Operating lease liability	26 418	14 548
	193 798 676	118 360 322

50. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Refuse	829 858	829 858
Rentals	216 301	216 301
Property Rates	7 913 189	7 913 189
Fines	487 668	487 668
Call deposits	71 488 134	71 488 134
Bank balances	55 335 007	55 335 007
	136 270 157	136 270 157

Financial liabilities

	At amortised cost	Total
Trade payables	21 360 965	21 360 965
Retentions	1 380 629	1 380 629
Taxes and transfers payable (non-exchange)	2 251 168	2 251 168
	24 992 762	24 992 762

2020

Financial assets

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	2021	2020
50. Financial instruments disclosure (continued)		
	At amortised cost	Total
Refuse	655 024	655 024
Rentals	684 805	684 805
Property Rates	8 910 330	8 910 330
Fines	2 535 896	2 535 896
Call deposits	67 657 486	67 657 486
Bank balances	33 795 098	33 795 098
	114 238 639	114 238 639

Financial liabilities

	At amortised cost	Total
Trade payables	28 221 015	28 221 015
Retentions	1 205 314	1 205 314
Property rates received in advance	2 397 185	2 397 185
	31 823 514	31 823 514

51. Commitments

Authorised capital expenditure

Already contracted and provided for

• Buildings	37 021 995	73 871 374
• Infrastructure	27 909 560	33 811 319
• Other financial assets	961 910	-
	65 893 465	107 682 693

This Expenditure will be financed from

• Government Grant	33 535 050	32 438 066
• Own Resources	32 358 415	75 244 627
	65 893 465	107 682 693

Total commitments

The commitments presented above are Inclusive of VAT.

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	2021	2020
52. Contingencies		
Contingent Assets		
Umzimvubu Local Municipality vs Mbali Rural Developers CC (Arbitration) A claim in favour of the municipality was awarded of R220 601. To enforce the arbitration award, the municipality seeks to attach movables to satisfy the claim. The Writ of execution is with the office's Sheriff of Kokstad for service.	220 601	220 601
South African Police Services (SAPS), case number CAS 69/11/2018 (under investigation) The municipality has a case of fraud, in which funds were lost to the Municipality. In the year under review a contingent asset of R812 307	812 307	812 307
Umzimvubu Local Municipality vs Vuyo Chitha An Application to release Mr Vuyo Chitha's pension fund to ULM where Mr Chitha is liable to pay the Municipality an amount of R 102 000 to ULM. As it stands counsel has been briefed to make an application in court ordering the Pension fund to release the funds to ULM for settlement. The pension fund number and pension fund that Mr Chitha was registered to has been requested from ULM so as to complete application.	350 000	-
	1 382 908	1 032 908
Contingent Liabilities		
Prince Madikizela - General (Case No. 4258/16): In this matter the plaintiff is suing the Municipality, claiming a sum of R 600,000 arising out of malicious and unlawful arrest contumelia. The matter was before the High Court on 27 June 2018. The plaintiff asked for postponement and tendered the wasted costs. We shall apply for a trial date immediately after we receive the plaintiff's response. The estimated legal fees are in the sum of R 240,000.	840 000	840 000
Lindelwa Nyokana vs Umzimvubu Local Municipality (Case No. 40/18): In this matter the plaintiff suing the Municipality for negligence. She is claiming a sum of R 37,484.55. The estimated legal fees are in the sum of R 40 000. The matter is still new, legal processes are still exchanged between parties.	200 000	147 484
Atlas Towers (Pty) Ltd vs Umzimvubu Local Municipality Case No. 2912/2019 Withdrawal of permission to install a network tower. The matter was before court on 28 January 2021. Counter claim dismissed with costs. The applicant is ordered to pay 50% of the first respondent's costs associated with the main application.	-	380 000
Ngangelizwe Jama vs Umzimvubu Local Municipality (Case No. 1034/2011): High Court claim a sum of R 500,000 plus interest, being damages allegedly suffered by the the plaintiff due to his wrongful arrest and detention by the traffic officer acting within the lawful course and scope of his employ by the Municipality. Defendant (ULM) have applied for the Minister of Police to be joined. The matter is has been withdrawn from the roll.	-	1 090 000
Sunset Beach Trading 299 CC JV Nyamezela Consulting Engineers (Pty) LTD (Case No. 2308/2013): Re-cancellation of contract by ULM, challenged by Sunset Beach Trading in the High Court. claim for damages allegedly suffered by the plaintiff for loss of profit when in the amount of R 1 875 126 plus interest. Matter was set down for hearing on the 30th of May 2016 for trial. No settlement on the table. Matter must proceed until it reaches its final logical conclusion. ULM has prospects of success. Plaintiff have applied for trial. Matter postponed sine die for trial and costs reserved. Matter has since been finalised.	-	3 875 126
Imbumba Mzamani the Immediate Contractors vs Umzimvubu Local Municipality (Case No. Ec/Mtha/Rc569/2013): The claim is based on non payment of a sum of R156 098 plus interest for services rendered by the plaintiff to the Municipality. ULM have prospects of success and the plaintiff has up to date not discharged their obligation as required in terms of the Magistrate Court Rules. The matter has been closed in court.	-	368 098

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	2021	2020
52. Contingencies (continued)		
Umzimvubu Local Municipality vs Millennium Development Trust (Case No. GOM/ULM/0089/ad): Millennium Development Trust (Litigation) Extension 6 Development / Assisting LLM and providing legal opinion on merits of success with regard to cancellation/ termination of agreement between ULM and MDT and instructions to institute High Court legal proceedings with the assistance of Junior and Senior Counsel.	1 500 000	1 500 000
Siyabulela Ndzumo (Case No. 84/2015): Magistrate Court's claim for R 200,000 in damages suffered by the plaintiff due to allegedly unlawful demolition of his house including furniture and a kraal by the Municipality. The plaintiff's case was dismissed but subject to appeal, and no Court dates have been given. Plaintiff if out of time to execute appeal, no prospects of success. The matter has been finalised.	240 000	240 000
Umzimvubu Local Municipality vs Thandeka Mgeyi and 4 others Case No.2914/2019 The municipality is seeking eviction order from court. The respondents invaded its RDP houses. The matter was referred for oral evidence. Matter waiting for trial date.	400 000	200 000
Umzimvubu Local Municipality vs Rawutini Yicokise Gawulana & Others Land Invasion on ERF 188 in MaXesibeni. The matter appeared in court on the 9th of February 2021. Application dismissed with costs. ULM shall file documents to appeal. Application for leave to appeal has since been filed and awaiting judgement on samel.	200 000	200 000
Umzimvubu Local Municipality vs Andile Menyo Case No 2016/11 The plaintiff is suing the defendant seeking an order that the defendant be vacated from its land (portion of ERF 188). The matter is ready for a trial date from the registrar of the High Court.	-	420 000
Umzimvubu Local Municipality vs Zilindile Amos Mrhamba//Chief Baphathe Makaula & Others Case No. 28/2020 Unlawful demarcation of sites, on land earmarked for the development of a Sports Facility. An urgent application has been filed and the matter was before court on 14 January 2020, the applicant (ULM) has been granted an interim relief pending the finalisation of the application. The Municipality legal representative have since filed a Replying affidavit per Court Order. Awaiting allocation of the opposed date from the Registrar.	200 000	200 000
Umzimvubu Local Municipality vs Jabanqa Giwu Rentals at Trading Facility. Acknowledgement of debt has been prepared and signed. The Tenant has vacated the premises and will not be returning to occupy.	-	30 000
Umzimvubu Local Municipality vs Zandile Lucia Mtshubungu Municipality is suing for rentals at trading facility. Letter of demand could not be served, the address provided was locked and closed.	-	30 000
Umzimvubu Local Municipality vs Lulama Maka Default judgement granted in favour of the plaintiff. The defendant is ordered and directed to pay to the plaintiff a sum of R49 158.54 due to rental money. Matter finalized, service is processed through the sheriff for property attachment and removal. Municipality is suing for rentals at trading facility. Letter of demand could not be served, the address provided was locked and closed.	-	30 000
Andiswa Gxobole -Nomthwa's Projects v Umzimvubu Local Municipality Demand for full payment of monies paid by the Director of Nomtwa Projects to effect repairs and installation of electricity at the Fresh Produce Market building belonging to ULM. The municipality is to prepare and file a plea as per the amended particulars of claim. The matter is still pending before the High Court.	50 000	50 000

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	2021	2020
52. Contingencies (continued)		
Phumza Vitshima vs Umzimvubu Local Municipality Case No. P256/19 Alleged unlawful termination of applicant's contract of employment on 01 August 2011. Contractual damages to the amount of R508 312.08. Matter is on appeal. The municipality have filed their application for leave to appeal.	908 312	1 416 624
Umzimvubu Local Municipality vs Nyameka Ntonga Rentals at Trading Facility. Acknowledgement of debt has been prepared and signed and payment arrangements have been secured with the Tenant.	-	30 000
Notemba Millicent Mpiti vs Umzimvubu Local Municipality Case No. 3209/2019. Unlawful occupation of property that belongs to Ms Mpiti by Ms Manxusa. The municipality is cited as the 2nd respondent on the matter. The matter is due to appear in court on the opposed roll in July 2021. Matter was postponed to 11 November 2021 to allow the applicant to supplement its papers and for the Municipality to file its Answering Affidavit. The Municipality has since served and filed its answering affidavit.	200 000	30 000
Umzimvubu Local Municipality vs M Zibuke Clothing & Multipurpose & Another: Case No. 2570/2017 The municipality seeks an eviction order against the respondents at TRANSIDO KwaBhaca. The matter is opposed, it was set down on 28 May 2020 and it was postponed to 4th of June 2020 due to lockdown. The matter did not proceed on 4th of June 2020 because the Judge indicated that evictions were not possible during lockdown, consequently it was removed from the roll with no order as to costs. The matter is set down to 10th of February 2022 for arguments.	200 000	250 000
Umzimvubu Local Municipality vs Luyanda Maka Rentals at Trading Facility. Acknowledgement of debt has been prepared and signed. The Tenant has vacated the premises and will not be returning to occupy.	-	30 000
Umzimvubu Local Municipality vs Nolubabalo Khuzani & 62 Others The municipality is seeking a court order to evict the respondents illegally occupying RDP houses at Chithwa Village, Ext5 in MaXesibeni. Ready to file the applicant's affidavit but processes were disturbed by the lockdown.	200 000	200 000
Jane Ntombesithathu Nkondlwana vs Umzimvubu Local Municipality ULM is 3rd respondent to the matter and the court has instructed as follows: "that the third respondent if need be, be and is hereby ordered to conduct an investigation into the welfare of respondent no 1 and 2 and provide them with accommodation where necessary as being part of its Constitutional mandate. The case is dormant.	20 000	40 000
Prince Mbusi Mdlalose vs Umzimvubu Local Municipality Case No. 3359/2019 The plaintiff alleges that he was unlawfully arrested by the Municipal Traffic Officer on 10 September 2017, then handed him over to Mt Frere Police Station allegedly for exceeding the speed limit, detained for 7 hours and released on bail of R500.00. Pleadings closed and the matter ready for trial.	850 000	1 300 000
Umzimvubu Local Municipality vs Sibongiseni Magaqa The plaintiff is claiming a portion of ERF 185 which he claims was sold to him by the municipality. The applicant has not served the municipality with his application yet. Ex-Part Application (Case No. 26/2016) Seek an order to sell the impounded animals for both the towns of Mount Frere and Mount Ayliff (Names from attorneys correspondence).	-	200 000
Umzimvubu Local Municipality vs Nedbank Ltd and Another Case No. 3766/2020 The municipality is claiming for the refund of its money which was claimed fraudulently consequently was paid to Nedbank. Nedbank is defending the matter contending that it was correct in releasing the refunds to the account holder.	1 500 000	-

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	2021	2020
52. Contingencies (continued)		
Zandisile Mzondi vs Umzimvubu Local Municipality Case No. 233/2020 The applicant seeks an order for the return of his cow which he alleges that it was impounded by the police and kept by the municipality	70 000	-
Nodelile Conjwa & 8 Others vs Umzimvubu Local Municipality The plaintiffs attorney issued letters of demand on behalf of the plaintiffs. They are claiming that the municipality unlawfully demolished their structures at Papanana Location, Mount Frere	250 000	-
Umzimvubu Local Municipality vs Cllr Sobane Khulile Mnukwa This case between the municipality and the Former Executive Mayor has been finalised. Financial exposure is limited to legal fees due.	77 177	-
Umzimvubu Local Municipality vs Cllr Sobane Khulile Mnukwa Investigations in the form of enquiries are still ongoing. Awaiting for Outcome of those investigations.	200 000	-
Concerned Group of Sigidini Administrative Area - Mt Ayliff vs Umzimvubu Local Municipality Case No. 1986/2021 26 May 2021, the matter was before Court and was postponed to 06 July 2021 and the Court directed that the Municipality file its replying affidavit. Matter back in Court on 07 July 2021 wherein application was granted in favour of the Municipality.	200 000	-
Momelezi Methusi vs Umzimvubu Local Municipality Case No. 206/2020 Claim in respect of collision allegedly as a result of recklessness and negligent driving of the defendant's driver/employee. The matter was before court on 27 November 2020 and the Joinder application was ordered. Matter still to be heard in Court to completion.	80 000	-
PriceWaterHouseCoopers vs Umzimvubu Local Municipality Case No. 1351/2020 Claim in respect of services allegedly rendered in 2015, 2016 and 2019. The matter has been defended and consultation with the client is due.	910 209	-
Umzimvubu Local Municipality vs Mvuyisi Nqwazi Case No. ECD012101 The Applicant, Mr Mvuyisi Nqwazi initiated arbitration proceedings against the Municipality for Unfair Dismissal. The Municipality has commenced with leading of its witnesses. Two more witnesses are still to be led where after the Applicant will lead its case.	250 000	-
Economic Freedom Fighters vs Umzimvubu Local Municipality Case No. 983/2021 High Court Application wherein the EFF seeks to declare ULM's dress code policies unlawful and unconstitutional and in the alternative to review and set aside ULM's dress code policies. A notice of intention to oppose was served and filed. Also, Answering Affidavit has also been prepared, served and filed. Awaiting Applicant's reply, if any.	700 000	-
Ndzameko Kene vs Umzimvubu Local Municipality Case No. 87/2015 Magistrate's court claim for damages suffered by the plaintiff due to allegedly unlawful demolition of his house including furniture and a kraal by Municipality.	40 000	40 000
Simphiwe Mhlongo vs Umzimvubu Local Municipality Case No. 91/2014 The matter is about unlawful arrest and detention.	200 000	200 000
Umzimvubu Local Municipality vs Lindile Mphephanduku Action matter.	10 000	-
Dumisile Xози vs Umzimvubu Local Municipality The plaintiff has issued a letter demanding a claim from the Municipality.	300 000	-

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	2021	2020
52. Contingencies (continued)		
Gideon Kondlo vs Umzimvubu Local Municipality Case No. 85/2015 Claim for damages suffered by plaintiff for allegedly unlawful demolition of his house.	40 000	40 000
Fikile Bhekizulu vs Umzimvubu Local Municipality and others Application to declare immovable property belonging to the respondent that of the applicant as well as compelling the deed register to effect a rectification transfer.	-	-
Zolile Makaula vs Umzimvubu Local Municipality and others Application for eviction of the respondent.	-	-
Umzimvubu Local Municipality vs Jabulani Hardware Application by the Municipality for declaratory relief as well as interdictory relief arising from land zoning.	-	-
Sivumela village vs Umzimvubu Local Municipality Case No. 1161 High court application for interdict to declare the Municipality's decision to prioritise the electrification of Maxhegweni village over Sivumele village unlawful.	-	-
Mzolisi Gqunu vs Umzimvubu Local Municipality Case No. 133/2015 Magistrate's court application for an interdict to prevent the sale of applicants sheep by Municipality pending the finalisation of stock theft criminal case by the applicant.	-	-
	10 835 698	13 407 332

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	2021	2020
53. Related parties		
Relationships		
Accounting Officer	Refer to accounting officer's report note	
Councillors and/or Management of the Municipality have relationship with businesses as indicated below.		
LC Kganyago (Councillor)	Director of and 25% Interest in African Haze Trading	
Canca Nokwazi (Official)	Owner (Husband) of Litto Trading Enterprise	
Dikwayo Siphokazi (Official)	Owner (Husband) of DMMP Trading CC	
Ntshengulana Mygiri (Official)	Owner (Husband) of Mizestozz Trading Enterprise	
Madlanga Lindiswa (Official)	Owner (Brother) of Mpi Attorneys	
Mr Mdzinwa (Chief Whip)	Owner (Wife) of 2nd World BnB	
Related party balances		
Councillors and Key Management Personnel - Family of the Municipality		
Councillor - Mpepanduku MM	-	1
Family member: Mpepanduku S		
Department: Council		
Relationship: Daughter.		
Purchases from Related Parties		
The municipality bought goods from the following companies, which are considered to be Related Parties:		
Glenhope Trading	4 907 587	1 440 000
Related person: Qaba Zembe		
Company Capacity: Owner (wife)		
Municipal Capacity: Snr Manager		
2nd World Guest House	6 600	2 390
Related person: Mr Mdzinwa		
Company Capacity: Owner (husband)		
Municipal Capacity: Chief Whip		
Brotherly Love Trading & Projects	138 800	146 100
Related person: Qaba Zembe		
Company Capacity: Owner (wife)		
Municipal Capacity: Snr Manager		
The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length		
	5 052 987	1 588 490
Receivables from related parties		
Cllr Mdzinwa	-	14 113
Cllr Garane	8 032	5 846
GP Nota	3 952	1 017
T Ngcongca-Madotyeni	5 105	2 105

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No bad debts were written off or recognised in respect of amounts owed by Related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer deposits were received from Councillors, the Municipal Manager and Section 57 personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

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53. Related parties (continued)

Key management information

Mayor	Executive Mayor	1
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Remuneration of management

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53. Related parties (continued)

Management class: Councillors

2021

Name	Basic salary	Allowances	Contributions to funds	Total
Executive Mayor - Cnl SK Mnukwa	430 430	371 305	109 172	910 907
Speaker - Cnl FN Ngonyolo	344 344	298 538	95 387	738 269
Chief whip - Cnl NG Mdzinwa	322 823	315 191	52 808	690 822
Executive committee	2 154 391	2 083 131	426 676	4 664 198
Councillors	5 736 658	6 115 192	1 221 101	13 072 951
	8 988 646	9 183 357	1 905 144	20 077 147

2020

Name	Basic salary	Allowances	Contributions to funds	Total
Executive Mayor - Cnl SK Mnukwa	445 605	360 722	98 796	905 123
Speaker - Cnl FN Ngonyolo	356 484	288 079	87 967	732 530
Chief whip - Cnl NG Mdzinwa	334 204	305 517	46 716	686 437
Executive committee	2 230 347	2 022 235	380 523	4 633 105
Councillors	5 955 103	5 958 379	1 189 753	13 103 235
	9 321 743	8 934 932	1 803 755	20 060 430

Councillors were compensated within the limits set by the Remuneration of Public Office Bearers Act No 20 of 1998.

In-Kind Benefits

Councillors may utilise official Council transportation when engaged in official duties.

The Executive Mayor and Speaker have use of Council owned vehicles for official duties.

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53. Related parties (continued)

Management class: Executive management

2021

Name	Basic salary	Car and other allowances	Annual Bonus	Performance bonus	Contributions to UIF, Medical Aid and Pension funds	Total
Remuneration of Municipal Manager - GPT Nota	886 716	517 251	71 880	73 893	12 931	1 562 671
Remuneration of the Chief Financial Officer - FT Fundira	649 164	378 679	54 097	-	10 554	1 092 494
Remuneration of the Manager Local Economic Development - SC Ntinzi	649 164	378 679	54 097	-	10 714	1 092 654
Remuneration of the Manager Infrastructure and Planning - LJ Moleko	649 164	378 679	54 097	41 150	10 554	1 133 644
Remuneration of the Manager Chief Operations Officer - N Zembe	715 793	417 546	59 649	76 593	11 615	1 281 196
Remuneration of the Manager Corporate Services - TT Madotyeni-Ngcongca	649 164	378 679	40 573	-	10 647	1 079 063
Remuneration of the Manager Community Services - KP Dlamini-Tshazi	649 164	378 679	36 065	-	10 519	1 074 427
	4 848 329	2 828 192	370 458	191 636	77 534	8 316 149

2020

Name	Basic salary	Car and other allowances	Annual Bonus	Performance bonus	Termination benefits	Acting allowances	Other benefits received	Total
Remuneration of Municipal Manager - GPT Nota	899 296	506 685	71 880	71 880	-	-	13 929	1 563 670
Remuneration of the Chief Financial Officer - FT Fundira	691 650	342 989	47 299	-	-	-	11 381	1 093 319
Remuneration of the Manager Community Services - M Sineke (N1)	116 098	67 724	43 537	-	116 561	-	2 664	346 584
Remuneration of the Acting Manager Community Services - BJ Nhlamba (N2)	-	-	-	-	-	45 578	-	45 578
Remuneration of the Manager Corporate Services - N Kubone (N3)	58 049	33 862	38 699	-	78 992	-	1 579	211 181
Remuneration of the Manager Local Economic Development - SC Ntinzi	691 650	348 784	47 299	-	-	-	5 744	1 093 477

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53. Related parties (continued)										
Remuneration of the Manager Infrastructure and Planning - LJ Moleko	691 650	348 710	47 299	41 150	-	-	5 660	1 134 469		
Remuneration of the Manager Chief Operations Officer - N Zembe (N4)	825 419	409 016	58 025	76 593	-	99 472	13 492	1 482 017		
Remuneration of the Manager Corporate Services - TT Madoyeni-Ngcongca (N5)	223 332	119 283	-	-	-	29 303	3 131	375 049		
Remuneration of the Manager Community Services - KP Dlamini-Tshazi (N6)	162 291	94 670	-	-	-	-	2 119	259 080		
Remuneration of the Manager Community Services - AN. Mandlana	-	-	-	-	-	19 738	-	19 738		
Remuneration of the Manager Corporate Services - T Funani	-	-	-	-	-	9 768	-	9 768		
	4 359 435	2 271 723	354 038	189 623	195 553	203 859	59 699	7 633 930		

N1 - M Sineke resigned as Manager Community Services from the position on 31 August 2019.

N2 - BJ Ntlamba acted as Manager Community Services from 02/09/2019 - 01/12/2019 and the total amount paid to him for acting in the position amounts to R 45 578.

N3 - N Kubone resigned as Manager for Corporate Services from the position on 31 July 2019.

N4 - N Zembe Acted as Manager Corporate Services from 06/08/2019 - 31/10/2019 and the total amount paid to her for acting in the position amounts to R99 472.

N5 - TT Madoyeni-Ngcongca was appointed in this position from the 1st of April 2020 and the total amount paid to him for acting in the position from 01/11/2019 to 31/01/2020 amounts to R29 303.

N6 - KP Dlamini-Tshazi was appointed in this position from the 1st of April 2020.

N7 - AN Mandlana acted as Manager Community Services from 02/12/2019 - 29/02/2020 and the total amount paid to him for acting in the position amounts to R19 738.

N8 - T Funani acted as Manager Corporate Services from 01/02/2020 - 29/02/2020 and the total amount paid to him for acting in the position amounts to R9 768.

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54. 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. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the . Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

Credit risk

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

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

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

Market risk

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54. Risk management (continued)

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

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

The municipality limits its counterparty exposures from its money market investment operations by only dealing with First National Bank and Nedbank. No investments with a tenure exceeding twelve months are made.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

55. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these are listed below:

(i) The Council adopted the 2021 to 2024 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to supported the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the annual financial statements 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.

56. Fruitless and wasteful expenditure

Opening balance as previously reported	812 367	812 367
Opening balance as restated	812 367	812 367
Add: Expenditure identified - current	61 343	-
Less: Amounts recoverable - current	(2 000)	-
Closing balance	871 710	812 367

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56. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

Expenditure 1		61 343
	Disciplinary steps taken/criminal proceedings	
	Five employees working at Registering Authority were initially suspended. A case was opened at Mount Frere as a result is being investigated by the Hawks. The case was reported to the SIU and other relevant government department. An external investigator was appointed and after the investigation two employees were exonerated by the report and hence came back to work.	
	Disciplinary hearing instituted against Okuhle Honono has been concluded, sanction awarded and it's being implemented. The has paid back the money.	
	Disciplinary hearing against the other official are continuing and have not been concluded. One official passed on in December 2020.	

The municipality is committed to recover all monies from the persons involved.

Disciplinary steps taken/criminal proceedings

The matter is still under investigation by South African Police Services (SAPS), case number CAS 69/11/2018, in line with Section 32 (6) (b). Investigations are still ongoing in efforts to recover the expenditure in terms of Section 32 (2) of the MFMA to recover this expenditure.

57. Irregular expenditure

Opening balance as previously reported	-	1 417 773
Opening balance as restated	-	1 417 773
Less: Amount written off - prior period	-	(1 417 773)
Closing balance	-	-

Cases under investigation

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58. Deviation from supply chain management regulations

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

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

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Supplier name and Reason for Deviation

SABC Corporation (Pty) Ltd	68 207	-
Awareness campaigns about municipal programmes and projects flowing from IDP which are targeted to local audience being Umzimvubu community amongst all radio stations, it was evidenced that Umhlobo Wenene has the highest listenership in the area of Umzimvubu and therefore impractical to obtain quotations from other service providers but directly from SABC Corporation (Pty) Ltd for such services.		
SABC Corporation (Pty) Ltd	47 783	-
It will be impractical to follow SCM processes in terms of requesting quotations as per SCM thresholds due to the fact that the nature of the services requires the municipality to do it directly to one service provider being SABC Umhlobo Wenene. The municipality intends to do awareness about municipal programmes and projects flowing from IDP which targeted local audience being Umzimvubu community and amongst all radio stations it has been evidence that Umhlobo Wenene has the highest listenership in the area of Umzimvubu Jurisdiction hence Umhlobo Wenene at an amount of R47 782.		
Mascor Mount Currie - Repairs and maintenance	-	49 917
Repairs and maintenance of John Deere Tractors and its grass slasher cannot be done anywhere else other than Mascor MT Currie as the Municipal does not know what needs to be repaired as such a diagnoses needs to be done prior repairs, hence it will not be possible to source for quotations from different suppliers.		
Babcock Africa - Repairs and maintenance and Plant Hire	-	224 209
Volvo Machinery & Plant (TLB) had a breakdown the municipality could not be bale to request quotations as it was not known what needs to be repaired different service providers could not be called to come and diagnose the TLB as it would be too costly for the municipality to do so hence Babcock Africa has been chosen to come and repair the TLB.		
Government Printing Works - Printing	22 087	6 053
Gazette of Municipal by –Laws is the only service provider done this type of service by Government Printing works. The municipality was Gazetting of By-Laws (2020: Building plan fees.)		

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	2021	2020
58. Deviation from supply chain management regulations (continued)		
Government Printing Works - Printing	3 026	3 026
<p>Gazette of Municipal by –Laws is the only service provider done this type of service by Government Printing works. The municipality was Gazetting Rates tariffs for 2020/21.</p>		
John Deere Tractors	-	36 846
<p>Repairs and maintenance of the CAT TLB cannot be done anywhere else than Barloworld as the municipality does not know what needs to be repaired as such a diagnoses needs to be done prior repairs, hence it will not be possible to source for quotations from different suppliers. Terms and conditions.</p>		
Akonamilla (Pty) Ltd	-	129 540
<p>It was impractical to follow SCM processing in terms of requesting quotations or advertising due to the fact that the equipment being surgical masks, latex gloves, spray cans as well hand sanitizer are in high demand as the threat of COVID 19 Worldwide pandemic spreads all over the globe and therefore in short supply. At the time of procuring the sanitizer, spray cans and latex gloves the national number of infections officially reported stands at 1655 and already 11 related deaths in South Africa.</p> <p>The Municipality also received an intention by essential services to down tools as they do not have the necessary tools to protect themselves from infection. In an effort to reduce the spread of infection the Municipality procured the goods from supplier, Akonamilla PTY (Ltd) who had suppliers in stock, to sanitize public spaces and furnish workers with disposable latex gloves</p>		
Babcock Africa Services	-	21 321
<p>Volvo Machinery & Plant (TLB) had a breakdown the municipality could not be bale to request quotations as it was not known what needs to be repaired different service providers could not be called to come and diagnose the TLB as it would be too costly for the municipality to do so hence Babcock Africa has been chosen to come and repair the TLB.</p>		
SGM Tires and Car Wash	-	213 989
<p>It will be impractical to follow SCM process in terms of requesting quotations or advertising due to the fact that the equipment are in high demand as the threat of COVID 19 worldwide pandemic spreads all over the globe and therefore in short supply. At the time of procuring, National number of infections officially increases and deaths in Alfred Nzo region. The municipality also received an intention by essential services to down tools as they do not have necessary tools to protect themselves from infection. And the Municipality cannot wait as the frontline workers indicated their unwillingness to work unless safety prevention equipment has been provided. Further, the virus has shown rise in infected numbers posing a risk to the municipality and the community at large.</p>		
Barloworld Equipment - Repairs and maintenance and Plant Hire	-	78 796
<p>Repairs and maintenance of the CAT TLB cannot be done anywhere else than Barloworld as the municipality does not know what needs to be repaired as such a diagnoses needs to be done prior repairs, hence it will not be possible to source for quotations from different suppliers.</p>		
	141 103	763 697

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59. Budget differences

Material differences between budget and actual amounts

Below are explanations of variances that are more than 10% between budgeted amounts and actual amounts for the year.

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59. Budget differences (continued)

N1: The municipality embarked in a process of enforcing bylaws in order to ensure compliance.

N2: The reduction in traffic fines is as a result of termination of speed traffic management system contract resulting to manual issuing of traffic fines.

N3: The material variance is due to non- implementation of budgeted increment percentage for the managers and the contract employees.

N4: The material variance is due to that most of meetings are done virtual due to lockdown regulation which affect S&T claim

N5: The variance is a result derecognition and disposal of assets.

N6: Impairment losses increase are as a result of current year recognition based on payment trends of consumer debtors

N7: Increase in impairment losses is as a result of prior year restatement and current year movements.

N8: Variance is as result of under budgeting.

N9: Bursaries and community supported projects were less than anticipated

N10: The budgeted amount is more than the actual as cost containment played a role in the under expenditure and there were savings in operational expenditure such as travel and subsistence and municipal services.

N11: This is attributable to disposal of old assets taht are no longer in use.

N12: This is due to the fair valuation of investment properties that is not budgeted for.

N13: Upon budgeting, lockdown regulations were taken into account e.g employees working from home.

N14: Upon budgeting, lockdown regulations were taken into account e.g employees working from home however some regulations were lifted hence employees came back to work in offices where usage of stationery increased.

N15: Variance is as result of strengthening debt collection controls.

N16: Variance is as result of under budgeting.

N17: Variance is as a result of over budgeting due to anticipation that there was going to be an automated traffic fines management system procured of which that did not materialised as a result of non-responsive bidders.

N18: Variance is as result of our creditors on accruals at year end.

N19: Variance is as result of over budgeting and the impact of interest rate fluctuations due to COVID-19.

N20: the variance is as a result of fair value adjustments to investment property.

N21: The difference is largely created by Depreciation, Impairment and Disposals of Property, Plant and Equipment.

N22: The variance is as a result of amortisation.

N23: The variance is due to the expenditure amount which excludes provisions.

N24: NT Budget Template not aligned to GRAP and does not provide for Payables from Non-exchange Transactions - included in budget for Payables from Exchange Transactions.

N25: Variance is as a result of unclaimed deposits from the previous year.

N26: The variance is as a result of receiving additional funding for conditional grants towards the financial year end.

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59. Budget differences (continued)

N27: This is due to the effects of the pandemic as economic activities are affected.

N28: This is due to new accounts or billable properties as a result of subdivision of properties.

N29: Savings realised through strict adherence to belt tightening measures and COVID19 resulting in reduction in expenditure and adherence cost containment regulations. Repairs and Maintenance Budget is included under Contracted Services.

N30: Variance is due to more properties being billed than budgeted as there were some subdivisions that were implemented during the year.

N31: Interest received is less than budgeted due to the (i) REPO rate declined during the COVID-19 period and interest income declined, (ii) there were debtors that were written off and therefore no interest accrued

N32: This is not budgeted for separately on the National Treasury Budget Template. It's budgeted for under Interest from exchange and the variance is as per note 31 above.

N33: The amount budgeted for includes VAT refunds from a receipts perspective but when receipted, they are used to estinguish the VAT liability.

N34: The identified variance is as a result of additional funding received towards the financial year end and ended up being unspent.

CASH FLOW STATEMENT

C1: The difference is due to under collection on rates due to COVID-19 constraints encountered by residents.

C2: The difference is due to under collection on service charges due to COVID-19 constraints encountered by residents.

C3: This is due to budgeting of VAT refunds which are accounted for separately in the ledger.

C4: The identified difference is as a result of a decrease in repo rate as well as write off on debtors

C5: Some the grants we anticipated to receive were never received e.g Disaster grant and CoGTA grant

C6: The variance is due to the implementation of a Cost Containment Regulation as well as Subsistence and Travelling cost being low because of lockdown regulations which prohibits travelling and hosting events.

C7: The variance is as a result of the interest component on provision for landfill site amounting to R171 021 as well as the interest on employee benefits amounting to R149 000.

C8: The variance is as a result of slow implementation of projects due to the COVID-19 which affected operating environment.

C9: There was no budget allocated for the disposal of Assets

C10: Intangible assets are budgeted for under Capital assets on the budget template hence there appear not to have a budget.

C11: Budget for Cash and cash equivalent for 2019/20 FY was overstated due to statement of financial position and Cashflow budgeting for municipalities being introduced and estimates overstated.

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	2021	2020
60. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government - SALGA		
Current year subscription / fee	901 820	7 497
Amount paid - current year	(901 820)	(7 497)
	-	-
Audit fees		
Current year subscription / fee	5 328 648	4 399 189
Amount paid - current year	(5 328 648)	(4 399 189)
	-	-
PAYE and UIF		
Current year subscription / fee	18 129 742	16 899 171
Amount paid - current year	(18 129 742)	(16 899 171)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	18 186 309	16 786 191
Amount paid - current year	(18 186 309)	(16 786 191)
	-	-

Councillors' arrear consumer accounts

Refer to the related party disclosure note 53

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor A. N. Garame	1 367	6 666	8 033
<hr/>			
30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor A. N. Garame	5 846	-	5 846
Councillor N. G. Mdzinwa	14 113	-	14 113
	19 959	-	19 959

Interest charged on outstanding debtors - [MFMA 64 (2)(g)]

In terms of section 64 (2)(g) of the MFMA the municipality must charge interest on arrears, except where the council has granted exemptions in accordance with its budget related policies and within a prescribed framework. The municipality charges interest on outstanding debtors account at a rate of 10% per annum as approved by the council.

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	2021	2020
61. SCM regulation 45 disclosures		
The municipality bought goods from the following companies, where the directors are (related to) government officials.		
The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length:		
MPI Attorneys Related person: L Madlanga Company Capacity: Owner (brother) Municipal Capacity: Official	962 052	92 219
Sips and Zozo Trading Related person: Dikwayo Siphokazi Company Capacity: Owner (brother) Municipal Capacity: Official	24 260	71 081
Misestozz Trading Related person: Mygirl Ntshengulana Company Capacity: Owner (husband) Municipal Capacity: Official	39 000	50 550
Litto Trading Related person: Canca Nokwazi Company Capacity: Owner (husband) Municipal Capacity: Official	794 000	296 000
Njola Mhle Construction Related person: N. Xashimba Company Capacity: Owner (brother) Municipal Capacity: Official	43 500	96 000
Myoza-Myoza Trading Related person: B. Jokazi Company Capacity: Owner (wife) Municipal Capacity: Official	1 389 365	9 033 805
Madstoff Related person: A. Jojo Company Capacity: Owner (husband) Municipal Capacity: Official	366 438	5 888 220
MNP Daughters Related person: A. Mdledle Company Capacity: Owner (mother) Municipal Capacity: Official	119 490	-
Siya and Aya Engineering Related person: A. Tandwa Company Capacity: Owner (Wife) Government official: Department of Health Official	6 027 742	-
	9 765 847	15 527 875

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62. COVID-19 Additional disclosure

At the end of March 2020, the COVID-19 virus was declared a pandemic by the World Health Organisation and by the South African Government. South Africa entered into lockdown on 26th March 2020, which meant that businesses that were not seen as essential had to shut down.

This then meant any facilities that are normally rented out by the municipality had to be shut down and the affordability customers was negatively affected as such debt collection reduced even further. COVID-19 had a significant impact on the amounts as disclosed on the Annual Financial Statements. The affected areas were mainly debtors, cash and cash equivalent, debtor's impairment.

All areas of society were affected by the global pandemic as a result of the COVID-19 virus. South African government announced the national state of disaster and further gazetted regulations implementing National lockdown Level 5. 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 which meant that businesses that were not seen as essential had to shut down.

COVID 19 had a significant impact on the amounts as disclosed on the Annual Financial Statements. The affected areas were mainly debtors, cash and cash equivalent, debtor's impairment and spending particularly on capital grants which the municipality under performed and resulted to unspent conditional grants. The Municipality has applied and for roll over to National Treasury.

The municipality continued to provide services during the national state of national disaster and raised revenue in accordance with services provided under both exchange and non-exchange revenue. Management has assessed that there have been no material changes in revenue raised for 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.

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

Management further adjusted the 2020/2021 financial year budget as a result of Covid-19 grant received late in the financial year and was tabled and approved by council.

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 amount spent by the council on COVID-19 related expenses for the year ended 30 June 2021 is R955 447 (2020: R1 472 352).

63. Segment information

General information

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2020

63. Segment information (continued)

Identification of segments

For management purposes, the municipality is organised and operates in nine key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

The nine key business units comprise of:

1. Citizens and Community safety

This segment consists of all services provided by the municipality to citizens & for community safety

2. Executive and Council

This segment consists of all services provided by Council and Executive to the community

3. Budget and treasury office

This segment consists of all services for the providing of finance and administration operations of the municipality.

4. Office of the Municipal Manager

This segment consists of all services for the providing of governance and administration for the municipality.

5. Infrastructure and Project management unit

This segment consists of all services for the providing of infrastructure to the community.

6. Public Safety

This segment consists of all services for the providing of public safety to the community

7. Road Transport

This segment consists of all services for the providing of road transport and infrastructure to the community

8. Sport and Recreation

This segment consists of all services for sports & recreation provided to the community.

9. Waste Management

This segment consists of waste management services provided to the community.

No individually material operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on non-financial metrics and the segment's operating surplus or deficit, measured consistently with the accounting policies applied in the Annual Financial Statements. There are no differences in measurement of these reportable segments' surplus/deficit and that of the entity's surplus/deficit nor are there any differences in measurement of assets and liabilities.

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63. Segment information (continued)

Inter-business unit services are not valued and are deemed to have been supplied for no consideration and are therefore not eliminated. However, the quality of services provided internally is monitored as part of the non-financial service performance information.

The municipality operates within 27 community wards, the municipality does however not monitor operating results for these geographical segments, and operational results are only monitored within the business units as previously disclosed.

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63. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Citizens and Community Safety	Executive and council	Budget and treasury office	Office of the Municipal manager	Infrastructure and Project management unit	Public safety	Road transport	Sport and recreation	Waste management	Total
Revenue	-	-	-	-	-	-	-	-	-	-
Revenue from non- exchange transactions	-	-	-	-	-	-	-	-	-	-
Property rates	-	-	17 733 488	-	-	-	-	-	-	17 733 488
Fines, penalties and forfeits	-	-	626 329	-	-	-	3 371 945	-	-	3 998 274
Licences and permits	-	-	-	-	159 232	1 913 901	-	-	-	2 073 133
Transfers and subsidies	-	-	276 766 936	-	77 135 015	-	26 485 001	-	3 450 584	383 837 536
	-	-	-	-	-	-	-	-	-	-
Revenue from exchange transactions	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	-	-	-	-	-	-	-	1 210 121	-	1 210 121
Rental of facilities and equipment	143 935	-	3 603 921	-	9 476	-	-	2 871	-	3 760 203
Interest earned - external investments	-	-	3 882 210	-	-	-	-	-	-	3 882 210
Interest revenue - outstanding debtors	-	-	2 015 491	-	-	-	-	-	-	2 015 491
Agency services	-	-	-	-	-	2 231 470	-	-	-	2 231 470
Other revenue	-	-	918 805	-	414 486	-	-	-	-	1 333 291
Fair value adjustments	-	-	3 200 527	-	-	-	-	-	-	3 200 527
Actuarial gains	-	-	144 000	-	-	-	-	-	-	144 000
Total segment revenue	143 935	-	308 891 707	-	77 718 209	4 145 371	29 856 946	2 871	4 660 705	425 419 744
Entity's revenue	425 419 744									

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	Citizens and Community Safety	Executive and council	Budget and treasury office	Office of the Municipal manager	Infrastructure and Project management unit	Public safety	Road transport	Sport and recreation	Waste management	Total
63. Segment information (continued)										
Expenditure										
Salaries and wages	-	3 130 462	32 923 253	1 219 025	15 140 252	15 332 933	25 413	-	12 860 869	80 632 207
Remuneration of Councillors	-	20 077 147	-	-	-	-	-	-	-	20 077 147
Depreciation	-	-	44 902 876	-	-	-	-	-	-	-
Impairment	-	-	6 888 323	-	-	-	-	-	-	-
Lease rentals on operating lease	-	-	203 849	-	-	-	-	-	65 401 374	110 304 250
Bad debts written off	-	-	2 216 061	-	-	-	-	-	9 030 634	15 918 957
Loss on disposal of assets	-	-	1 201 173	-	-	-	-	-	-	203 849
Finance charges	-	-	-	-	-	-	-	-	-	-
Other materials	-	592	3 265 004	-	-	-	-	-	-	2 216 061
Contracted services	-	5 194 260	20 063 433	1 133 533	359 448	493 111	150	-	320 021	1 201 173
Transfers and subsidies	-	-	1 104 926	6 408 325	13 306 707	13 306 707	2 636 479	-	2 016 025	320 021
Other expenditure	-	8 556 414	35 315 150	8 689	10 389 453	1 255 893	-	-	7 426 782	6 134 330
Total segment expenditure	-	36 958 875	148 084 048	2 361 247	32 297 478	30 388 644	680 586	-	1 637 816	57 844 001
Total segmental surplus/(deficit)	143 935	(36 958 875)	160 807 659	(2,361 247)	45 420 731	(26 243 273)	26 514 318	2 871	(94 032 816)	73 293 303

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	Citizens and Community Safety	Executive and council	Budget and treasury office	Office of the Municipal manager	Infrastructure and Project management unit	Public safety	Road transport	Sport and recreation	Waste management	Total
63. Segment information (continued)										
CAPITAL EXPENDITURE										
Construction Work-in Progress	-	-	-	-	2 634 993	1 786 674	49 558 232	-	-	53 979 899
Intangible assets	-	-	157 390	-	-	-	-	-	-	157 390
Community assets	-	-	-	-	875 937	-	6 208 717	-	1 396 196	8 480 850
Electrical Infrastructure	-	-	-	-	-	-	21 149 140	-	-	21 149 140
Furniture and Office Equipment	-	-	1 113 981	-	-	124 850	221 000	-	-	1 459 831
Machinery and Equipment	-	-	-	-	-	96 911	-	-	1 047 468	1 144 380
Roads Infrastructure	-	-	-	-	-	-	18 979 214	-	-	18 979 214
Solid Waste Infrastructure	-	-	-	-	-	-	265 581	-	-	265 581
Other assets	-	-	-	-	-	-	63 335 356	-	-	63 335 356
Total capital expenditure	-	-	1 271 371	-	3 510 930	2 008 436	159 717 240	-	2 443 664	168 951 641
Total capital expenditure of municipality										168 951 641
OTHER INFORMATION										
Segment assets	251	100 379	34 176 199	20 687	207 146	7 143 405	1 092 036 958	-	46 834	1 133 731 859
Segment assets current and non-current assets										
Segment Liabilities										
Current liabilities - current and non-current liabilities	(236 434)	-	(49 805 598)	-	-	(2 571 872)	-	-	(4 254 316)	(56 868 220)
Net assets/(liabilities) of the segments	(236 183)	100 379	(15 629 399)	20 687	207 146	4 571 533	1 092 036 958	-	(4 207 482)	1 076 863 639

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63. Segment information (continued)

2020

	Citizens and Community Safety	Executive and council	Budget and treasury office	Office of the Municipal manager	Infrastructure and Project management unit	Public safety	Road transport	Sport and recreation	Waste management	Total
Revenue	-	-	-	-	-	-	-	-	-	-
Revenue from non- exchange transactions	-	-	-	-	-	-	-	-	-	-
Property rates	-	-	16 728 512	-	-	-	-	-	-	16 728 512
Fines, penalties and forfeits	-	-	902 534	-	-	10 105 794	-	-	-	11 008 328
Licences and permits	-	-	-	-	228 708	1 903 327	-	-	-	2 132 035
Transfers and subsidies	-	-	221 904 349	-	69 183 105	-	3 000 000	-	3 269 788	297 357 242
Revenue from exchange transactions	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	-	-	-	-	-	-	-	-	1 096 785	1 096 785
Rental of facilities and equipment	120 213	-	3 582 300	-	22 319	-	-	2 817	-	3 727 649
Interest earned - outstanding debtors	-	-	7 757 107	-	-	-	2 143 095	-	-	9 900 202
Agency services	-	-	-	-	-	1 752 963	-	-	-	1 752 963
Other revenue	-	-	704 459	-	932 190	-	-	537 642	-	2 174 291
Gains on disposal of PPE	-	-	564 741	-	-	-	-	-	-	564 741
Actuarial gains	-	-	84 298	-	-	-	-	-	-	84 298
Total segment revenue	120 213	-	252 228 300	-	70 366 322	13 762 084	5 143 095	540 459	4 366 573	346 527 046

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	Citizens and Community Safety	Executive and council	Budget and treasury office	Office of the Municipal manager	Infrastructure and Project management unit	Public safety	Road transport	Sport and recreation	Waste management	Total
63. Segment information (continued)										
Expenditure										
Employee Related Cost	-	2 800 560	29 569 128	987 942	14 622 913	15 093 349	-	-	11 629 217	74 703 109
Remuneration of Councillors	-	20 060 430	-	-	-	-	-	-	-	20 060 430
Debt impairment	-	-	34 222 965	-	-	-	-	-	-	34 222 965
Depreciation and asset impairment	-	-	111 003 142	-	-	-	-	-	-	111 003 142
Finance costs	-	-	281 058	-	-	-	-	-	-	281 058
Lease rentals on operating lease	-	-	343 772	-	-	-	-	-	-	343 772
Other materials	-	1 415	2 621 473	-	387 670	202 449	66	-	4 229 115	7 442 188
Contracted services	-	5 158 072	16 725 799	1 634 857	7 892 650	12 183 440	2 515 140	-	6 041 267	52 151 225
Transfers and subsidies	-	-	1 203 218	-	-	-	-	-	-	1 203 218
Other expenditure	-	7 732 047	24 025 664	3 832 832	10 311 068	1 816 663	746 759	-	1 572 026	50 037 059
Total segment expenditure	-	35 752 524	219 996 219	6 455 631	33 214 301	29 295 901	3 261 965	-	23 471 625	351 448 166
Total segmental surplus/(deficit)	120 213	(35 752 524)	32 232 081	(6 455 631)	37 152 021	(15 533 817)	1 881 130	540 459	(19 105 052)	(4 921 120)
Other 5										2

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	Citizens and Community Safety	Executive and council	Budget and treasury office	Office of the Municipal manager	Infrastructure and Project management unit	Public safety	Road transport	Sport and recreation	Waste management	Total
63. Segment information (continued)										
Capital expenditure										
Intangible assets	-	-	898 964	-	-	-	-	-	-	898 964
Community assets	-	-	-	-	2 652 259	-	9 621 550	-	-	12 273 809
Computer Equipment	-	-	729 888	-	-	-	-	-	-	729 888
Electrical Infrastructure	-	-	-	-	-	-	8 141 321	-	-	8 141 321
Furniture and Office Equipment	-	-	598 407	-	135 100	350 829	-	-	-	1 084 336
Machinery and Equipment	-	-	-	-	-	1 131 545	-	-	1 959 999	3 091 544
Other Assets	-	-	-	-	298 640	-	34 791 926	-	1 197 206	36 287 772
Roads Infrastructure	-	-	-	-	-	-	30 436 306	-	-	30 436 306
Solid Waste Infrastructure	-	-	-	-	-	-	12 815 876	-	-	12 815 876
Transport Assets	-	-	1 948 535	-	-	-	-	-	-	1 948 535
Total Capital Expenditure	-	-	4 175 794	-	3 085 999	1 482 374	95 806 979	-	3 157 205	107 708 351
OTHER INFORMATION										
Segment assets										
Current Assets - Consumer and other debtors	-	76 185	3 062 447	8 661	97 572	39 528 212	1 087 993 097	-	2 965 685	1 133 731 859
Segment Liabilities										
Current liabilities	(235 640)	(60 272)	(49 228 238)	(66 400)	(225 996)	(427 398)	(5 533 580)	-	(1 090 696)	(56 868 220)
Net assets / (liabilities) of the segments	(235 640)	15 913	(46 165 791)	(57 739)	(128 424)	39 100 814	1 082 459 517	-	1 874 989	1 076 863 639

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64. 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:

N1 - The Adjustment to PPE were due to depreciation calculation error identified for 2020 caused by incorrect useful lives used.

N2 - The adjustment to Operating Lease was due to the correction of the calculation of the lease receivable.

N3 - The adjustment to Depreciation, Impairment and Bad debts write off was due to the misclassification of the bad debts written off for 2020. Furthermore, additional depreciation adjustment was processed to due to an error on Useful lives in 2020.

N4 - Within PPE balance disclosed in 2020, an amount of R2 427 098 was previously disclosed as Infrastructure assets and for uniformity in reporting it has now been corrected and reclassified to Buildings as this gives more reliable and relevant information . The adjustment has no effect on the total PPE balance for 2020.

N5 - In note 24, Rental of facilities was previously split between Investment property and Other fixed assets. This has been combined together as they relate to the same revenue stream.

N6 - The adjustment to Receivables from exchange transactions and non-exchange transactions was due to the change in the policy to calculate provision for impairment that was effected during the year. The comparative figures were also restated.

N7 - This was due to interest not previously recognised.

N8 - The municipality has adopted GRAP 25 for the disclosure of its Employee benefit obligations in the current year. This necessiated the reclassification of the prior year figures in line with the adopted reporting standard.

N9 - The reclassification relates to the split of Interest income between Exchange and Non-Exchange transactions.

N10 - The reclassification relates to the cellphone and data allowances for councilors that were previously report as part of communication expense.

Statement of financial position

2019

	Note	As previously reported	Correction of error	Restated
Property, plant and equipment N1		926 454 979	(7 730)	926 447 249
Operating lease receivable N2		9 539 271	(2 436 909)	7 102 362
Receivables from exchange transactions N6		1 758 371	1 048 187	2 806 558
Receivables from non-exchange transactions N6		21 895 608	(3 142 057)	18 753 551
Accumulated surplus N1		(985 104 115)	4 538 509	(980 565 606)
		(25 455 886)	-	(25 455 886)

Umzimvubu Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

		2021	2020		
64. Prior-year adjustments (continued)					
2020					
	Note	As previously reported	Correction of error	Re-classification	Restated
Operating Lease Receivable N2		9 913 957	(473 944)	-	9 440 013
Receivables from Non-exchange Transactions N6		23 883 260	(12 437 042)	-	11 446 218
Trade and other Receivables from Exchange Transactions N6		1 004 146	335 682	-	1 339 828
Cash and cash equivalents N7		101 469 571	(16 987)	-	101 452 584
Property, plant and equipment N1		910 191 940	(641 527)	-	909 550 413
Employee benefits obligations - Current liabilities N8		(229 000)	-	(10 164 778)	(10 393 778)
Provisions N8		(7 984 638)	-	7 984 638	-
Trade and Other Payable Exchange Transactions N8		(31 606 469)	-	2 180 140	(29 426 329)
Accumulated surplus N1		(986 831 445)	13 233 818	-	(973 597 627)
		19 811 322	-	-	19 811 322

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue from exchange transactions		1 762 276	1 965 373	-	3 727 649
Rental of facilities and equipment N1				-	
Interest Received from exchange transactions N8 and N9		9 917 190	(16 988)	(2 143 095)	7 757 107
Interest Received from Non-exchange transactions		-	-	2 143 095	2 143 095
Remuneration of councillors N10		(17 397 688)	-	(2 979 146)	(20 376 834)
Depreciation and amortisation N3		(103 945 850)	(7 057 293)	-	(111 003 143)
Impairment losses N3		(30 636 583)	(3 586 382)	-	(34 222 965)
General expenditure N10		(52 088 654)	-	2 979 146	(49 109 508)
Surplus for the year		(192 389 309)	(8 695 290)	-	(201 084 599)

Disclosures

The following prior period errors adjustments occurred:

N1: Contingent liabilities previously not disclosed were confirmed by the Attorneys and have been disclosed.

Disclosures

	As previously reported	Correction of error		Restated
Contingent liabilities N1	13 127 332	280 000	-	13 407 332

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Notes to the Annual Financial Statements

2021

2020

64. Prior-year adjustments (continued)

Change in accounting policy

The municipality adopted the following Accounting Standards for the first time during the financial year 2020/21 to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy Notes:

- GRAP 25 Employee Benefit Obligations
- GRAP 18 Segment Reporting
- GRAP 108 Statutory Receivables

Change 1

GRAP 25 Employee Benefit Obligations

The municipality has adopted GRAP 25 for the disclosure of its employee benefit obligations in the current year.

This necessitated the reclassification of the prior year figures in line with the adopted reporting standard.

Reclassification of all employee benefit obligations from Payables from exchange transactions and provisions to the Employee benefit obligations was done for the prior year as the standard was adopted retrospectively.

Change 2

GRAP 18 Segment Reporting

The Accounting Standard for Segment Reporting has been recognised in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 18.

The municipality has developed Accounting Policies to fully comply with GRAP 18 (Segment Reporting). Previously the Accounting Standard was not applicable to municipalities.

Management has assessed the requirements of GRAP 18 and identified the following shortcomings preventing full disclosure in terms of the Accounting Standard:

- The municipality's accounting system has limitations that does not allow for segmental reporting on financial position, net assets and cash flow.
- The municipality is broadly organised into business units based on the nature of operations and the services they provide and the accounting system allows for
- No individually material operating segments have been aggregated to form the reportable operating segments.
- The municipality does not monitor segments geographically.

Based on the above, management has concluded that the municipality will be able to report separate segments subject to the limitations listed above.

The accounting policy has been applied retrospectively with the 2020 financial year information being summarised per reportable segment.

Change 3

GRAP 108 Statutory Receivables

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021

2020

64. Prior-year adjustments (continued)

During the 2019-2020 financial year, the municipality changed the factors considered in making a provision for impairment of statutory receivables from payment trend procedure of determining debt impairment to a system generated impairment calculation for consumer debtors which was based on the following factors:-

Status risk score.
Owner type score.
Account type risk score.

These scores were set as system parameters by service provider (Munsoft) when the system was installed, however they were never used in the determination of consumer debtors impairment calculation as the municipality has always manually calculated its debtors impairment based on consumer payments trends in the years preceeding 2019-2020 financial year.

It is after Management had engaged Munsoft as to what was the basis of the above mentioned risk scores and there was no satisfactory basis provided, as during the current year, management reverted back to its old way of calculating impairment by payment trend of each debtor. This was approved by Council, as such prior year (2019/2020) impairment had to be restated.

The effect of the change in accounting policy in the 2020 financial year is as follows:

Increase in provision for impairment (Statement of Financial Performance) R1 005 702

Increase in provision for impairment (Statement of Financial Position) R1 005 702

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