uMdoni Municipality
Annual Financial Statements
for the year ended 30 June 2021

* See Note 51

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Local Municipality
Nature of business and principal activities	Local Municipality
Mayoral committee	
Executive Mayor	Cllr ST Khathi (Mayor)
	Cllr SSI Khwela(Deputy Mayor)
	Cllr NP Mpanza(Speaker)
	Cllr BC Mngadi(EXCO Member)
	Cllr EV Baptie (EXCO Member)
	Cllr S Mzelemu(EXCO Member)
	Cllr WT Dube (EXCO Member)
	Cllr MJ Cele(EXCO Member)
Councillors	Cllr R Brijraj(MPAC Chair)
	Cllr KK Armugam
	Cllr M Ally
	Cllr RB Bhoola
	Cllr SH Cele
	Cllr LR Dlamini
	Cllr JJ East
	Cllr DP Gambushe
	Cllr JNE Gwala
	Cllr ZT Hlongwa
	Cllr DMM Hlengwa
	Cllr NY Khabela
	Cllr BO Mbhele
	Cllr HDT Mtambo
	Cllr LN Myende
	Cllr MC Ngcobo
	Cllr JM Ndlela
	Cllr FM Ngwane
	Cllr PN Nombika
	Cllr BB Sosibo
	Cllr SE Shange
	Cllr S Singh
	Cllr S Sookhraj
	Cllr SD Mdluli
	Cllr MA Khan
	Cllr T Sokhulu
	Cllr PE Thabethe
	Cllr DN Hongwa
	Cllr RS Maharaj
	Cllr MJ Ngubo
	Cllr S Mohamed
Grading of local authority	3
Registered office	Cnr Bram Fischer and Williamson Streets Scottburgh

General Information

	4180 www.umdoni.gov.za
Business address	Cnr Bram Fischer and Williamson Streets Scottburgh 4180
Postal address	P O Box 19 Scottburgh 4180
Bankers	Standard Bank
Auditors	Auditor General of South Africa Registered Auditors

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

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The Accounting Officer also certifies that salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office as disclosed in the Annual Financial Statements below are within the upper limits of the framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

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
Mr N Biyase

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	205,355,394	194,687,817
Inventories	3	15,963,967	15,963,967
Receivables from exchange transactions	4	9,417,913	6,673,395
Receivables from non-exchange transactions	5	32,567,356	31,229,892
VAT receivable	6	17,997,170	12,702,790
Operating lease asset	7	45,993	147,152
		281,347,793	**261,405,013**
Non-Current Assets			
Investment property	8	8,819,209	9,415,686
Property, plant and equipment	9	631,610,462	652,101,191
Intangible assets	10	227,382	305,342
Heritage assets	11	261,011	261,011
		640,918,064	**662,083,230**
Total Assets		**922,265,857**	**923,488,243**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	64,081,766	37,046,187
Unspent conditional grants and receipts	13	23,149,767	19,362,394
Employee benefit obligation	14	2,602,402	1,315,000
Consumer deposits	15	2,443,001	2,349,056
		92,276,936	**60,072,637**
Non-Current Liabilities			
Provisions	16	13,509,853	11,298,370
Employee benefit obligation	14	22,882,598	20,668,000
		36,392,451	**31,966,370**
Total Liabilities		**128,669,387**	**92,039,007**
Net Assets		**793,596,470**	**831,449,236**
Housing Development Fund		11,291,750	11,291,750
Accumulated surplus		782,304,720	820,157,486
Total Net Assets		**793,596,470**	**831,449,236**

* See Note 51

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	10,233,742	10,061,184
Sale of goods and rendering of services	18	3,570,274	3,594,509
Rental of facilities and equipment	19	5,663,264	6,400,982
Interest received - Investments	20	7,403,911	13,128,271
Interest received - Receivables		269,034	830,058
Agency services	21	1,633,417	1,416,134
Operational revenue	22	584,340	329,533
Actuarial gains - employee benefits		-	719,243
Total revenue from exchange transactions		**29,357,982**	**36,479,914**
Revenue from non-exchange transactions			
Property rates	23	99,524,131	95,024,244
Property rates - Penalties and Interest	23	5,341,245	5,316,354
Licences and Permits	24	5,843,374	4,237,099
Transfer revenue			
Government grants & subsidies	25	198,819,719	169,949,903
Fines, Penalties and Forfeits	26	1,329,890	2,471,687
Total revenue from non-exchange transactions		**310,858,359**	**276,999,287**
Total revenue		**340,216,341**	**313,479,201**
Expenditure			
Employee related costs	27	(133,766,151)	(127,333,729)
Remuneration of councillors	28	(15,077,973)	(15,086,928)
Contracted services	29	(88,530,394)	(85,065,612)
Operational expenditure	30	(57,772,250)	(44,758,635)
Depreciation and amortisation	31	(38,826,678)	(39,990,960)
Contribution to landfill site provision	32	(839,913)	(1,085,386)
Impairment of cash and non-cash generating assets	33	(3,445,785)	(23,099,072)
Finance costs	34	(174,124)	(26,521)
Lease rentals on operating lease	35	(1,031,921)	(41,833)
Debt impairment	36	(18,490,091)	(40,127,556)
Transfers and subsidies	37	(3,213,047)	(3,386,199)
Loss on disposal of assets and liabilities		(4,457,857)	-
Actuarial losses		(1,294,402)	-
Material expenditure losses incurred	52	(11,148,533)	(2,923,025)
Total expenditure		**(378,069,119)**	**(382,925,456)**
Deficit for the year		**(37,852,778)**	**(69,446,255)**

* See Note 51

Statement of Changes in Net Assets

Figures in Rand	Housing development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	9,987,650	937,332,605	947,320,255
Adjustments			
Correction of errors	1,304,100	(47,725,622)	(46,421,522)
Balance at 01 July 2019 as restated*	**11,291,750**	**889,606,983**	**900,898,733**
Changes in net assets			
Surplus for the year	-	(69,446,255)	(69,446,255)
Write off outstanding receipts	-	(95)	(95)
Correction of error	-	(3,147)	(3,147)
Total changes	-	(69,449,497)	(69,449,497)
Restated* Balance at 01 July 2020	**11,291,750**	**820,157,498**	**831,449,248**
Changes in net assets			
Surplus for the year	-	(37,852,778)	(37,852,778)
Total changes	-	(37,852,778)	(37,852,778)
Balance at 30 June 2021	**11,291,750**	**782,304,720**	**793,596,470**

* See Note 51

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Property rates and taxes		86,916,706	99,078,058
Sale of goods and services		19,209,556	18,964,713
Government Grants and Subsidies		330,603,073	247,391,224
Interest income		7,403,911	13,128,271
		444,133,246	378,562,266
Payments			
Employee costs		(143,369,112)	(135,583,060)
Suppliers		(265,728,858)	(228,008,244)
Finance costs		(174,124)	(26,521)
		(409,272,094)	(363,617,825)
Net cash flows from operating activities	39	**34,861,152**	**14,944,441**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(24,193,575)	(23,979,425)
Cash flows from financing activities			
Finance lease payments		-	(901,246)
Net increase/(decrease) in cash and cash equivalents		**10,667,577**	**(9,936,230)**
Cash and cash equivalents at the beginning of the year		194,687,817	204,624,047
Cash and cash equivalents at the end of the year	2	**205,355,394**	**194,687,817**

* See Note 51

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Property rates	101,629,028	(2,000,000)	99,629,028	-		99,629,028	99,524,132		(104,896)	100 %	98 %
Service charges	9,936,637	(530,444)	9,406,193	-		9,406,193	10,233,741		827,548	109 %	103 %
Investment revenue	12,893,276	(4,893,276)	8,000,000	-		8,000,000	7,403,911		(596,089)	93 %	57 %
Transfers recognised - operational	164,871,650	18,415,800	183,287,450	-		183,287,450	177,017,472		(6,269,978)	97 %	107 %
Other own revenue	25,773,366	(5,707,496)	20,065,870	-		20,065,870	24,234,839		4,168,969	121 %	94 %
Total revenue (excluding capital transfers and contributions)	**315,103,957**	**5,284,584**	**320,388,541**	**-**		**320,388,541**	**318,414,095**		**(1,974,446)**	**99 %**	**101 %**
Employee costs	(115,104,757)	(19,401,574)	(134,506,331)	-	-	(134,506,331)	(134,044,915)	-	461,416	100 %	116 %
Remuneration of councillors	(16,705,969)	-	(16,705,969)	-	-	(16,705,969)	(15,077,973)	-	1,627,996	90 %	90 %
Debt impairment	-	-	-			-	(18,490,090)	-	(18,490,090)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(41,786,620)	(1,437,743)	(43,224,363)			(43,224,363)	(42,272,463)	-	951,900	98 %	101 %
Finance charges	(386,631)	386,631	-	-	-	-	(174,124)	-	(174,124)	DIV/0 %	45 %
Materials and bulk purchases	(7,240,127)	(7,916,378)	(15,156,505)	-	-	(15,156,505)	(13,638,285)	-	1,518,220	90 %	188 %
Transfers and grants	(4,477,154)	1,011,281	(3,465,873)	-	-	(3,465,873)	(3,213,047)	-	252,826	93 %	72 %
Other expenditure	(120,403,085)	(40,452,260)	(160,855,345)	-	-	(160,855,345)	(151,158,223)	-	9,697,122	94 %	126 %
Total expenditure	**(306,104,343)**	**(67,810,043)**	**(373,914,386)**	**-**	**-**	**(373,914,386)**	**(378,069,120)**	**-**	**(4,154,734)**	**101 %**	**124 %**
Surplus/(Deficit)	**8,999,614**	**(62,525,459)**	**(53,525,845)**	**-**		**(53,525,845)**	**(59,655,025)**		**(6,129,180)**	**111 %**	**(663)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	28,968,350	8,444,700	37,413,050	-		37,413,050	21,802,247		(15,610,803)	58 %	75 %
Surplus (Deficit) after capital transfers and contributions	**37,967,964**	**(54,080,759)**	**(16,112,795)**	**-**		**(16,112,795)**	**(37,852,778)**		**(21,739,983)**	**235 %**	**(100)%**
Surplus/(Deficit) for the year	**37,967,964**	**(54,080,759)**	**(16,112,795)**	**-**		**(16,112,795)**	**(37,852,778)**		**(21,739,983)**	**235 %**	**(100)%**

Capital expenditure and funds sources

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	33,015,951	18,418,777	51,434,728	-		51,434,728	24,193,575		(27,241,153)	47 %	73 %
Sources of capital funds											
Transfers recognised - capital	25,189,867	7,343,219	32,533,086	-		32,533,086	19,153,454		(13,379,632)	59 %	76 %
Internally generated funds	7,826,083	11,075,558	18,901,641	-		18,901,641	4,984,710		(13,916,931)	26 %	64 %
Total sources of capital funds	**33,015,950**	**18,418,777**	**51,434,727**	**-**		**51,434,727**	**24,138,164**		**(27,296,563)**	**47 %**	**73 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	66,522,635	(91,932,344)	(25,409,709)	-		(25,409,709)	34,861,152		60,270,861	(137)%	52 %
Net cash from (used) investing	(33,015,952)	(18,418,777)	(51,434,729)	-		(51,434,729)	(24,193,575)		27,241,154	47 %	73 %
Net cash from (used) financing	(473,000)	773,000	300,000	-		300,000	-		(300,000)	- %	- %
Net increase/(decrease) in cash and cash equivalents	**33,033,683**	**(109,578,121)**	**(76,544,438)**	**-**		**(76,544,438)**	**10,667,577**		**87,212,015**	**(14)%**	**32 %**
Cash and cash equivalents at the beginning of the year	209,117,672	(14,429,855)	194,687,817	-		194,687,817	194,687,817		-	100 %	93 %
Cash and cash equivalents at year end	**242,151,355**	**(124,007,976)**	**118,143,379**	**-**		**118,143,379**	**205,355,394**		**(87,212,015)**	**174 %**	**85 %**

Accounting Policies

Figures in Rand	Note(s)	2021	2020

1. Presentation of Annual Financial Statements

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

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

Changes in Accounting Policy and Comparability

Accounting policies have been consistency applied, except where otherwise indicated below.

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, except for the changes set out in note Changes in accounting policy.

STANDARDS APPROVED AND EFFECTIVE FOR 2020/21 FINANCIAL YEAR

The following GRAP standards have been approved and effective to the municipality for the 2020/21 financial year:

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 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
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 of Other Entities
GRAP 100	Discounted 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	Mergers
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-Living resources

INTERPRETATIONS OF STANDARDS OF GRAP APPROVED AND EFFECTIVE FOR 2020/21 FINANCIAL YEAR
IGRAP 1 Applying the Probability Test on Initial Recognition of Revenue
IGRAP 2 Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3 Determining whether an arrangement contains a lease
IGRAP 4 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
IGRAP 5 Applying the restatement approach under the Standard of GRAP on financial reporting in hyperinflationary economies
IGRAP 6 Loyalty Programmes
IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9 Distributions of Non-cash Assets to Owners
IGRAP 10 Assets Received from Customers
IGRAP 13 Operating Leases – Incentives
IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15 Revenue – Barter Transactions Involving Advertising Services
IGRAP 16 Intangible Assets – Website Costs
IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
IGRAP 18 Recognition and Derecognition of Land
IGRAP 19 Liabilities to Pay Levies
IGRAP 20 Accounting for Adjustments to Revenue

1.1 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.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

Recievables from exchange and non -exchange transactions

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

The impairment for trade and other receivables is calculated on an individual and group portfolio basis, based on historical collection levels and other indicators present at the reporting date that correlate with relevant portfolio.

Impairment testing

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

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

Impairment : Write down of Property Plant and Equipment and Inventories

Accounting Policy 1.9 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments 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 the impairment of financial assets recorded during the year is appropriate.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives of property, plant and equipment

As described in Accounting Policy 1.5 , the municipality depreciates over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

Defined benefit plan liabilities

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.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14.

As described in Accounting Policy 1.20, 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 Notes 13 and 27 to the Annual Financial Statements.

Allowance for doubtful debts

For trade and other receivables 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.

Impairment of statutory recievables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.
In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted. However, where the municipality charges interest, discounting is not applied.
An impairment loss recognised in prior periods for a statutory receivable are revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All the amounts are rounded off to the nearest rand .

1.3 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.

Accounting Policies

1.4 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.

1.5 Housing development fund

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Entity maintain a separate housing operating account. This legislated separate operating account is known as the 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 the 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.

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

1.6 Property, plant and equipment (continued)

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	10-40 years
Street lighting	Straight line	35 years
Plant and machinery	Straight line	4-50 years
Furniture and fixtures	Straight line	5-50 years
Motor vehicles	Straight line	2-30 years
IT equipment	Straight line	2-35 years
Traffic signs	Straight line	9-55 years
Landfill Site	Straight line	42-55 years
Community Assets	Straight line	2-65 years
Other property, plant and equipment	Straight line	10-30 years
Artwork	Straight line	3-60 years
Transport assets	Straight line	2-30 years
Bins and containers	Straight line	10-30 years
Other property, plant and equipment # 1	Straight line	10-30 years
Leased Motor vehicles	Straight line	3-5 years
Electricity	Straight line	10-25 years
Stormwater	Straight line	20-80 years
Roads municipal ashphalt surface	Straight line	9-80 years
Roads municipal asphalt basis	Straight line	9-80 years
Roads municipal concrete surface	Straight line	4-50 years
Roads municipal concrete basis	Straight line	4-50 years
Roads municipal gravel surface	Straight line	4-50 years
Kerb and channels	Straight line	12-90 years
Retaining walls	Straight line	25-60 years
Pedestrian footpaths	Straight line	25-30 years

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

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

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

The municipality assesses at each reporting date, based on the indicators present in accordance with GRAP 17, 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.

1.6 Property, plant and equipment (continued)

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

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

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

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

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

1.7 Investment property

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

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

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

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

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

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

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

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

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

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

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

1.8 Intangible assets

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

Accounting Policies

1.8 Intangible assets (continued)

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.

Subsequent Measurement - Cost Model

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

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

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.

Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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.

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

Item	**Useful life**
Computer software, other	3 years

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

Accounting Policies

1.8 Intangible assets (continued)

The gain or loss arising from the derecognition of an 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).

1.9 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 a municipality's’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.

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

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.

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

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

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.

Accounting Policies

1.9 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.

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset 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 that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent measurement

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

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

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

Impairment

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

Transfers

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

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

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

1.10 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.

Accounting Policies

1.10 Financial instruments (continued)

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').
- 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.

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.

1.10 Financial instruments (continued)

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

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement . The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition
Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument. The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist, and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions
The fair values of financial instruments are determined as follows:
The fair values of quoted investments are based on current bid prices.
If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability 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.

Amortised cost

Amortised cost 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 for impairment or uncollectibility.

Accounting Policies

1.11 Statutory receivables

Identification

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

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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

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

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.

1.11 Statutory receivables (continued)

- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

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

1.12 Inventories

Initial recognition

Inventories comprise of housing stock and consumable stores. Inventories are recognised at the weighted average method. Cost generally refers to the purchase price, plus non-recoverable 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.

Subsequent measurement

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and net realisable value.

1.12 Inventories (continued)

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

- 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.

1.13 Revenue from exchange transactions

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

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

General

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.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the transaction have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service Charges

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

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 licenses and permits.

Income from Agency Services

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

Sale of Goods

- The municipality has transferred to the buyer 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.

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.

- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rentals

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

1.14 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

1.14 Revenue from non-exchange transactions (continued)

Taxes

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

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

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

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

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

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

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

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

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.14 Revenue from non-exchange transactions (continued)

Services in-kind

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

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

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

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

Revenue from recovery of unauthorised, Irregular, fruitless and wastefull expenditure

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

1.15 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.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

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 the Statement of Financial Performance as a finance cost as it occurs.

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.

1.15 Provisions and contingencies (continued)

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

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 the Statement of Financial Performance as a finance cost as it occurs.

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.

The municipality treats its provision for leave pay as an accrual. The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position.

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 49.

Provision for staff leave:

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position.

Provision for refuse site rehabilitation:

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined in terms of the Municipal Landfill Closure Costing Module and calculated annually have been applied

1.16 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of twelve months or less or more and are subject to an insignificant risk of change in value unless the purpose and nature of such investments are for capital appreciation purposes and not held for operational activities as deemed by management .

Cash and cash equivalents in the cash flow statement comprise cash on hand, deposits held on call with banks.

Bank overdrafts are recorded at the current value of the utilisation of approved facilities from the Municipality's bankers. Finance charges on bank overdrafts are expensed as incurred.

1.17 Unauthorised expenditure

Unauthorised expenditure means expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

Accounting Policies

1.18 Irregular expenditure

In accordance with Section 1 of the MFMA, irregular expenditure, in relation to a municipality, means:
(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,
but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

In this context 'expenditure' refers to any use of municipal funds that is in contravention of the following legislation:
(a) Municipal Finance Management Act, Act 56 of 2003, and its regulations;
(b) Municipal Systems Act, Act 32 of 2000, and its regulations;
(c) Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
(d) The municipality's supply chain management policy, and any by-laws giving effect to that policy
Irregular expenditure that was incurred and identified during the current financial and which was written off before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register, with the disclosure as such being made to the note in the annual financial statements.
Irregular expenditure that was incurred and identified during the current financial year and for which write-off is being awaited at year end must be recorded in the irregular expenditure register, with the disclosure as such being made to the note in the annual financial statements.
Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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

1.19 Fruitless and wasteful expenditure

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

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

1.20 Employee benefits

Retirement Benefits :
The municipality provides retirement benefits for its employees. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits.

Post- retirement health care benefits :
The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

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

1.20 Employee benefits (continued)

- 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.

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.

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.

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

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 recognise the contribution payable to a defined contribution plan in exchange for that service:

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

1.20 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.20 Employee benefits (continued)

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

1.20 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits, 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.

Accounting Policies

1.20 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

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

1.21 Deposits

Deposits received by the municipality are in terms of the approved tariff of charges by Council. These mainly relate to the use of community facilities and verge deposits, amongst others

Unidentified Direct Deposits relate to deposits made by the public into the municipality's bank account, which due to a lack of information made during the deposit process, cannot be traced to the relevant debtor. A register is maintained for all Unidentified Direct Deposits. Should all attempts prove fruitless in the identification of the relevant debtor and the amount remains unclaimed by the debtor after a time lapse of two years has occurred, these values are transferred to accumulated surplus.

1.22 Leases

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

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

Finance leases - lessee

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

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

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

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

1.22 Leases (continued)

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.

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.

1.23 Budget information

The annual budget figures have been prepared in accordance with the GRAP 24 standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality. These figures are those approved by the Council at the beginning and during the year. The budget is approved on an accrual basis by nature classification.

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

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

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

1.24 Prior year adjustments

Restatements are effected to prior period comparatives resulting in the reclassification of prior period disclosure when the presentation or classification of items in the annual financial statements is amended. The nature and reason for the reclassification are disclosed.

1.25 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).

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.26 Related parties

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

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

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

Accounting Policies

1.26 Related parties (continued)

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

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

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

1.27 Capital commitments

Items are classified as commitments where the municipality commits itself to the future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by the specific standard of GRAP.

-Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

-Contracts that are entered into before the reporting date, but goods and services have yet been received are disclosed in the disclosure notes to the financial statements.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Accounting Policies

1.27 Capital commitments (continued)

Identification

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

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

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

Value in use

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

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

Composition of estimates of future cash flows

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

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.27 Capital commitments (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.27 Capital commitments (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.28 Borrowing costs

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

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

1.29 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).

Accounting Policies

1.29 Accounting by principals and agents (continued)

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

1.30 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.

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

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.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.31 Comparative figures

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

1.32 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.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

2. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021	2020
Cash on hand	1,278	5,250
Bank balances	14,441,146	12,469,907
Other cash and cash equivalents	190,912,970	182,212,660
	205,355,394	**194,687,817**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA BANK - Investment-92-3600-6170	19,460,513	18,878,557	17,921,386	19,460,513	18,878,557	17,921,386
ABSA BANK - Investment - 92-0488-0592	-	-	209	-	-	269
First National BANK - Investment - 62-2251-55391	19,585,555	19,004,099	17,988,484	19,585,926	19,004,470	17,988,484
First National Bank - Investment - 71-0938-31661	2,913,653	2,810,398	2,591,155	2,913,653	2,810,398	2,588,335
Standard Bank - Investment - 5876211 6/007	11,778,189	11,778,189	2,778,189	11,778,191	11,778,191	2,778,187
Standard Bank - Investment - 5876211 6/008	327,200	327,200	327,200	327,200	327,200	327,200
Standard Bank - Investment - 5876211 6/010	3,770,923	3,645,884	199,780	3,770,923	3,645,884	199,779
Standard Bank - Investment - 5876211 6/014	1,198,103	1,198,103	1,198,103	1,198,100	1,198,103	1,198,103
Standard Bank - Investment - 5876211 6/015	7,671,410	7,048,437	26,120,843	7,671,230	7,048,437	26,120,843
Standard Bank - Investment- 5876211 6/021	-	27,084,690	25,131,651	-	27,084,689	25,131,651
Standard Bank - Investment- 54417996	77,102	76,069	73,803	77,196	76,069	73,803
Standard bank -Investment 058762116-025	30,000,000	-	-	30,000,000	-	-
Nedbank - Investment- 7881 0177 59/94	94,129,941	50,245,319	47,363,109	94,129,941	50,245,319	47,616,877
Standard bank - Current account - Short term deposit-052 854 329	-	-	421,211	-	-	421,211
Nedbank - Investment- 7881 0177 59/125	-	-	24,111,550	-	-	24,111,550
Nedbank - Investment- 7881 0177 59/156	-	40,115,349	37,034,165	-	40,115,349	37,034,165
Standard bank - Cheque- 052 791 688-Primary Bank Account	14,367,916	12,305,217	818,762	14,441,146	12,469,906	1,106,954
Cash on Hand	1,278	5,250	5,250	1,278	5,250	5,250
Total	**205,281,783**	**194,522,761**	**204,084,850**	**205,355,297**	**194,687,822**	**204,624,047**

3. Inventories

	2021	2020
Housing Inventories	15,963,967	15,963,967

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

4. Receivables from exchange transactions

	2021	2020
Gross balances		
Salary debtor	1,327,570	1,327,570
Refuse	8,704,763	7,971,477
Sundry debtors	18,770,993	17,947,931
Department of Transport - accrued revenue	324,059	14,583
	29,127,385	**27,261,561**
Less: Allowance for impairment		
Refuse	(5,802,635)	(5,262,152)
Sundry debtors	(13,906,837)	(15,326,014)
	(19,709,472)	**(20,588,166)**
Net balance		
Salary debtor	1,327,570	1,327,570
Refuse	2,902,128	2,709,325
Sundry debtors	4,864,156	2,621,917
Department of Transport - accrued revenue	324,059	14,583
	9,417,913	**6,673,395**
Salary debtor		
121 - 365 days	1,327,570	1,327,570
Refuse		
Current (0 -30 days)	948,918	595,850
31 - 60 days	257,597	329,862
61 - 90 days	199,663	267,479
91 - 120 days	186,197	263,326
121 - 365 days	7,112,388	6,514,960
	8,704,763	**7,971,477**
Sundry debtors		
Current (0 -30 days)	1,727,494	970,102
31 - 60 days	726,094	719,904
61 - 90 days	710,538	535,139
91 - 120 days	626,092	590,925
121 - 365 days	14,980,775	15,131,861
	18,770,993	**17,947,931**
Department of transport-Accrued revenue		
Current (0 -30 days)	324,059	14,583

5. Receivables from non-exchange transactions

	2021	2020
Gross Debtors		
Fines	10,526,740	9,255,690
Property Rates	99,948,357	86,432,779
	110,475,097	**95,688,469**

Impairment

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

5. Receivables from non-exchange transactions (continued)

Traffic fine impairment	(10,357,256)	(8,965,651)
Property Rates impairment	(67,550,485)	(55,492,926)
	(77,907,741)	**(64,458,577)**

Net Debtors		
Traffic Fines	169,484	290,039
Property Rates	32,397,872	30,939,853
	32,567,356	**31,229,892**

Statutory receivables included in receivables from non-exchange transactions are as follows, on a gross basis:

Fines	10,526,740	9,254,440
Property rates - Residential	65,410,918	60,178,269
Property rates - Informal Settlements	172,936	80,609
Property rates - Vacant Land	5,137,257	3,936,338
Property rates - Minings and quarries	11,315	10,594
Property rates - Smallholdings Agriculture	207,635	44,733
Property rates - Smallholdings Residential	47,792	21,539
Property rates - Industrial	844,807	751,484
Property rates - Farms Other	169,996	110,632
Property rates - Business and Commercial	13,673,654	12,927,434
Property rates - Farms Agriculture	5,790,579	4,583,602
Property rates - Farms Commercial	29,003	10,595
Property rates - Farms Residential	1,463,189	1,093,097
Property rates - State Owned Properties	306,080	287,235
Property rates - Public Service Infrastructure	2,543,333	2,396,615
Property rates - Public Service Purposes	4,087,594	-
Property rates - Public Benefit Organisations	39,585	-
	110,462,413	**95,687,216**

Traffic fines are issued to offenders in terms of the Criminal Procedures Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in tems of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Property rates is levied in terms of the Municipal Property Rates Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by applying the Council approved rates randages against the valuation of individual properties within the municipality jurisdication. Council approved rebates and exemptions are further applied to reduce the receivable. Interest is applied on outstanding debt, and is linked to the current prime interest rate + 1%.

5. Receivables from non-exchange transactions (continued)

Statutory receivables that are past due and impaired included in receivables from non-exchange transactions are as follows:

	2021	2020
Fines	(10,357,256)	(8,965,651)
Property rates - Residential	(46,345,649)	(39,271,901)
Property rates - Informal Settlements	(151,413)	(70,229)
Property rates - Vacant Land	(2,621,592)	(1,574,250)
Property rates - Mining and quarries	(8,582)	(10,594)
Property rates - Smallholdings Agriculture	(175,423)	(26,683)
Property rates - Smallholdings Residential	(42,626)	(18,412)
Property rates - Industrial	(169,206)	(153,273)
Property rates - Farms Other	(127,601)	-
Property rates - Business and Commercial	(7,002,555)	(7,444,174)
Property rates - Farms Agriculture	(4,027,696)	(4,512,040)
Property rates - Farms Commercial	(24,048)	-
Property rates - Farms Residential	(974,872)	-
Property rates - State Owned Properties	(306,080)	(14,759)
Property rates - Public Service Infrastructure	(2,543,015)	(2,396,611)
Property rates - Public Service Purposes	(3,011,954)	-
Property rates - Public Benefit Organisations	(5,486)	-
	(77,895,054)	**(64,458,577)**

The basis of impairment takes into account the following:

The estimate were determined in accordance with the debt impairment policy of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt.

In assessing whether statutory receivables are impaired, management considered both individually receivables that may be impaired as well as groups of similar receivables that may be impaired.

The total debtors were further separated into groups of similar receivables with similar risk profiles and assessed for impairment.

Statutory receivables included in receivables from non-exchange transactions above are as follows, net of impairment:

	2021	2020
Fines	169,484	288,789
Property rates - Residential	19,065,268	20,906,368
Property rates - Informal Settlements	21,521	10,381
Property rates - Vacant Land	2,515,664	2,362,088
Property rates - Smallholdings Agriculture	32,211	18,055
Property rates - Smallholdings Residential	5,166	3,127
Property rates - Industrial	675,601	598,211
Property rates - Farms Other	42,396	110,632
Property rates - Business and Commercial	6,671,098	5,483,259
Property rates - Farms Agriculture	1,762,882	71,560
Property rates - Farms Commercial	4,955	10,595
Property rates - Farms Residential	488,317	1,093,097
Property rates - State Owned Properties	-	272,476
Property rates - Public Service Infrastructure	318	4
Property rates - Mining and quarries	2,733	-
Property rates - Public Service Purposes	1,075,639	-
Property rates - Public Benefit Organisations	34,099	-
	32,567,352	**31,228,642**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

5. Receivables from non-exchange transactions (continued)

Statutory receivables that are past due but are not impaired and included in receivables from non-exchange transactions:

As of 30 June 2020, statutory receivables of R 24 676 501 (2019:R 59 069 446) were conisdered to be past due and not impaired. This was determined by taking into account the debt that is outstanding for a period of more than 30 days which have not been subjected to impairment:

Fines	2,084,700	177,439
Property rates	8,186,160	24,499,062
	10,270,860	**24,676,501**

Summary of aging of debtors

Traffic Fines

Current (0-30 days)	136,500	226,650
31-60 days	181,800	382,100
61-90 days	145,050	429,650
91-120 days	126,200	374,200
121 days and over	9,937,190	7,843,090
	10,526,740	**9,255,690**

Property Rates

Current (0-30 days)	8,019,774	5,264,062
31-60 days	1,969,691	2,668,911
61-90 days	1,576,144	1,781,758
91-120 days	1,310,104	1,617,868
121 days and over	87,072,644	75,100,180
	99,948,357	**86,432,779**

6. VAT receivable

VAT	17,997,170	12,702,790

VAT is payable on the cash basis. Once payment is received from debtors, VAT is paid over to SARS

7. Operating Leases Asset

Current assets	45,993	147,152

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of non-cancellable operating leases, the following assets have been recognised:

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

7. Operating Leases Asset (continued)

Balance at begining of year	147,153	174,806
Operating lease revenue recorded	(1,724,353)	(1,701,399)
Operating lease revenue effected	1,623,195	1,673,746
	45,995	**147,153**

At the reporting date, the municipality had outstanding receipts in terms of operating leases, which will accrue as follows:

Receivable within 1 year	2,039,827	1,798,607
Receivable within 2-5 years	5,236,922	5,914,931
Receivable after 5 years	320,660	1,058,356
	7,597,409	**8,771,894**

Included in the above mentioned operating lease receivables is the followingclass of assets:

Land and building	7,597,409	8,771,894

8. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	12,085,445	(3,266,236)	8,819,209	12,081,209	(2,665,523)	9,415,686

Reconciliation of investment property - 2021

	Opening balance	Impairments	Depreciation	Total
Investment property	9,415,686	(188,186)	(408,291)	8,819,209

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Investment property	9,823,977	(408,291)	9,415,686

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.

Amounts recognised in surplus or deficit

From Investment property that generated rental revenue		
Repairs and maintenance	-	270,555

Notes to the Annual Financial Statements

Figures in Rand

9. 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	69,434,950	(2,674,997)	66,759,953	69,434,950	-	69,434,950
Infrastructure: Roads	436,281,599	(145,252,769)	291,028,830	440,795,744	(141,889,482)	298,906,262
Buildings	46,564,959	(15,977,717)	30,587,242	46,564,959	(13,774,008)	32,790,951
Machinery and Equipment	20,444,038	(16,333,508)	4,110,530	20,369,898	(16,839,983)	3,529,915
Furniture and Office Equipment	9,052,441	(7,440,711)	1,611,730	9,023,740	(6,843,233)	2,180,507
Transport Assets	32,504,952	(25,785,945)	6,719,007	32,504,952	(22,874,009)	9,630,943
Computer Equipment	9,852,483	(7,101,787)	2,750,696	8,173,563	(6,048,022)	2,125,541
Community Assets	257,306,886	(114,501,525)	142,805,361	249,215,708	(103,270,229)	145,945,479
Infrastructure: Electricity	211,364	(160,548)	50,816	211,364	(150,241)	61,123
Infrastructure: Solid Waste	8,732,878	(4,246,236)	4,486,642	7,261,309	(3,982,528)	3,278,781
Infrastructure: Storm Water	119,022,645	(38,322,990)	80,699,655	119,022,645	(34,805,906)	84,216,739
Total	**1,009,409,195**	**(377,798,733)**	**631,610,462**	**1,002,578,832**	**(350,477,641)**	**652,101,191**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	69,434,950	-	-	-	-	(2,674,997)	66,759,953
Buildings	32,790,951	-	-	-	(2,157,123)	(46,586)	30,587,242
Infrastructure: Roads	298,906,262	14,220,637	(4,457,857)	-	(17,640,212)	-	291,028,830
Infrastructure: Solid Waste	3,278,781	100,000	-	1,371,569	(263,708)	-	4,486,642
Infrastructure: Storm Water	84,216,739	-	-	-	(3,517,084)	-	80,699,655
Infrastructure: Electricity	61,123	-	-	-	(10,307)	-	50,816
Machinery and equipment	3,529,915	74,140	-	-	712,092	(205,617)	4,110,530
Furniture and office equipment	2,180,507	28,700	-	-	(530,205)	(67,272)	1,611,730
Transport Assets	9,630,943	-	-	-	(2,820,851)	(91,085)	6,719,007
Computer equipment	2,125,541	1,678,920	-	-	(881,724)	(172,041)	2,750,696
Community Assets	145,945,479	8,091,178	-	-	(11,231,296)	-	142,805,361
	652,101,191	**24,193,575**	**(4,457,857)**	**1,371,569**	**(38,340,418)**	**(3,257,598)**	**631,610,462**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	69,434,950	-	-	-	-	-	69,434,950
Buildings	34,947,008	-	-	-	(2,156,057)	-	32,790,951
Infrastructure: Roads	299,089,952	19,263,985	(240,696)	-	(15,799,095)	(3,407,884)	298,906,262
Infrastructure: Solid waste	6,134,452	60,610	-	(2,556,263)	(308,595)	(51,423)	3,278,781
Infrastructure: Stormwater	91,629,953	-	240,695	-	(3,205,916)	(4,447,993)	84,216,739
Infrrastructure: Electricity	71,430	-	-	-	(10,307)	-	61,123
Machinery and Equipment	7,782,485	687,296	-	-	(2,930,195)	(2,009,671)	3,529,915
Furniture and office equipment	3,002,276	150,488	-	-	(563,599)	(408,658)	2,180,507
Transport Assets	11,401,083	-	-	-	(1,364,817)	(405,323)	9,630,943
Computer equipment	3,501,286	634,943	-	-	(1,291,764)	(718,924)	2,125,541
Community Assets	165,875,592	3,593,446	-	-	(11,874,364)	(11,649,195)	145,945,479
	692,870,467	**24,390,768**	**(1)**	**(2,556,263)**	**(39,504,709)**	**(23,099,071)**	**652,101,191**

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	14,553,530	5,093,184	19,646,714
Additions/capital expenditure	14,220,637	7,996,177	22,216,814
Transferred to completed items	(17,026,234)	-	(17,026,234)
	11,747,933	**13,089,361**	**24,837,294**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Total
Opening balance	19,393,344	3,298,866	22,692,210
Additions/capital expenditure	19,263,984	1,794,318	21,058,302
Transfer to completed assets	(24,103,798)	-	(24,103,798)
	14,553,530	**5,093,184**	**19,646,714**

Expenditure incurred to repair and maintain property, plant and equipment

	2021	2020
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	34,272,955	16,912,235
General expenses	5,898,175	-
	40,171,130	**16,912,235**

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.

Land appointed in terms of legislation which entity controls without legal ownership or custodianship

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land,in accordance with IGRAP 18

	2021	2020
Carrying value of land included in the carrying value of Property, plant and equipment	11,011,450	-

Land derecognised in terms of legislation which entity transfers control without legal ownership or custodianship

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land,in accordance with IGRAP 18

	2021	2020
Carrying value of land derecognised from the carrying value of Property, plant and equipment	5,019,025	-

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	389,799	(162,417)	227,382	389,799	(84,457)	305,342

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	305,342	(77,960)	227,382

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	383,303	(77,961)	305,342

11. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical Monument and Antiquities	261,011	-	261,011	261,011	-	261,011

Reconciliation of heritage assets 2021

Notes to the Annual Financial Statements

Figures in Rand

11. Heritage assets (continued)

	Opening balance	Total
Historical Monument and Antiquities	261,011	261,011

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical Monument	261,011	261,011

12. Payables from exchange transactions

Trade payables and accruals	31,194,944	9,911,891
Payments received in advance	6,424,760	5,873,464
Accrued leave pay	16,108,255	14,297,341
Retention held	7,411,923	5,273,718
Unidentified direct deposits	2,941,884	1,689,773
	64,081,766	**37,046,187**

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors. The municipality has financial policies place to ensure that all payables are paid within the credit timeframe.

Retention refers to monies retained by the municipality on construction work completed by the various suppliers throughout the duration of their contract. These monies are released upon progressive completion of their respective undertakings.

Leave accrual is due to staff leave accruing to the staff of the municipality on an annual basis, subject to certain conditions and is capped at 48 days as per the collective agreement. The provision is an estimate of the amount due at the reporting date.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Equitable share Covid 19 grant	4,152,000	-
Disaster Management Grant	4,985,525	4,985,524
Municipal Infrastructure Grant	9,833,450	8,441,597
Title Deeds Restoration Grant	706,880	235,952
Special Development Framework Grant	-	730,500
Housing Development	3,471,912	4,968,821
	23,149,767	**19,362,394**

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

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

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

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

14. Employee benefit obligations

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

Carrying value		
Medical Aid	20,338,000	17,171,000
Long Service	5,147,000	4,812,000
	25,485,000	**21,983,000**

Non-current liabilities	22,882,598	20,668,000
Current liabilities	2,602,402	1,315,000
	25,485,000	**21,983,000**

Post Retirement Medical Aid Obligation:
The fair value of plan assets includes:

Post Employment Health Care Benefit Liability	20,338,000	17,171,000
Subtotal	20,338,000	17,171,000
Less: Transfer to Current Provisions	(804,000)	(809,000)
	19,534,000	**16,362,000**

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

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2021 by ARCH Actuarial Consultants, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

14. Employee benefit obligations (continued)

In-service members	203	419
Continuation members	18	18
	221	**437**

The liability in respect of past service has been estimated to be as:

In-service members	10,101,000	9,943,000
Continuation members	7,985,000	7,228,000
	18,086,000	**17,171,000**

The municipality makes monthly contributions for health care

- Bonitas

- Key Health

- LA Health

- Samwumed

- Hosmed

Key assumptions used

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	10.05 %	10.25 %
Health Care Cost Inflation Rate	6.83 %	6.34 %
Net Effective Discount Rate	3.01 %	3.68 %
Expected Retirement Age - Males and Females	62	62

The amounts recognised in the Statement of Financial Position are as follows:		
Present Value of Fund Obligations	20,338,000	17,171,000

The amount recognised in the Statement of Financial Performance under employee related costs are as follows:		
Current service cost	898,000	783,027
Interest cost	1,720,000	1,471,098
Actuarial (gain)/loss recognised	1,294,402	(719,243)
	3,912,402	**1,534,882**

The movement in the defined benefit obligation over the year is as follows:		
Balance at beginning of year	17,171,000	16,383,557
Current service cost	898,000	783,027
Interest cost	1,720,000	1,471,098
Benefits paid	(745,402)	(747,439)
Recognised acturial (gain)/loss	1,294,402	(719,243)
	20,338,000	**17,171,000**

The effect of a 1% change in inflation rate movement in the assumed rate of health care:

Figures in Rand	2021	2020

14. Employee benefit obligations (continued)

Increase		
Effect on the defined benefit obligation	2,421,000	2,485,100
Decrease		
Effect on the defined benefit obligation	(2,861,000)	(1,994,900)

The future service cost for the ensuing year is estimated to be R108 200 whereas the interest-cost for the next year is estimated to be R 2005 000 (2021: R 898,000 and R1720,000 respectively)

The history of experienced adjustments are as follows:	2021	2020	2019	2018	2017
Present value of Defined Benefit Obligation	20,338,000	17,171,000	16,383,557	16,183,760	15,299,003

Defined contribution plan - Natal Joint Municipal Pension Fund

Umdoni Municipality makes provision for post-retirement benefits to eligible employees, who belong to different pension schemes.

All full-time employees belong to the KwaZulu Natal Joint Municipal Pension Fund, which are made up by the Retirement, Superannuation and Provident Funds. Councillors have the option to belong to the Pension Fund for Municipal Councillors.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a triennual, biennual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.

(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation. For both the Superannuation and Retirement Funds valuations making use of the Discontinuance Method Approach have been included as well.

14. Employee benefit obligations (continued)

DEFINED BENEFIT SCHEMES

Retirement Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2018 by Argen Actuarial Solution.

The actuarial valuation performed as at 31 March 2018 revealed that the fund had a shortfall of R 160 million (31 March 2015: shortfall of R 148 million) , with a funding level of 96.2% (31 March 2015: 96,1%). The contribution rate, including the surcharges below, paid by the members (7%) and municipalities (18,37%) should be sufficient to eradicate the shortfall in the fund. However, the basic contribution payable is 0.8% less than the required contribution rate.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 21.65% of pensionable emoluments, of which 1,65% is payable by members and 20% is payable by the local authority.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund.

Superannuation Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2018 by Argen Actuarial Solutions.

The actuarial valuation performed as at 31 March 2018 revealed that the fund had a shortfall of R Nil (31 March 2015 shortfall of R Nil), with a funding level of 100,0% (31 March 2015: 100%). The contribution rate paid by the members (9,25%) and municipalities (21,63%) is 0.32% (31 March 2015 : 0.22%) less than the required contribution rate for future service and will be reviewed at the next valuation. The deficit in respect of active members is being met by a surcharge of 9,5% (31 March 2015: 9,5%) of pensionable salaries.

This surcharge is payable until 31 July 2020. The surcharge to local authorities amounts to 9.50% (31 March 2015: 9.50%). The "Scheme to eliminate deficiency" in terms of Section 18 of the Pension Funds Act was implemented with effect from 1 August 2012 for a period of 8 years.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund will merge with the Retirement Fund in the near future.

DEFINED CONTRIBUTION SCHEMES

Municipal Councillors Pension Fund.

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R 2,476,156,000 (30 June 2011: R1,483,786,381). The contribution rate paid by the members (13.75%) and the municipalities (15%) is sufficient to fund the benefits accruing from the fund in the future.

As reported by the Actuaries, the Fund was in a sound financial condition as at 30 June 2015.

Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2018 by Argen Actuaries.

The actuarial valuation performed as at 31 March 2018 revealed that the market value of the fund was R 4,105,682 million (31 March 2015: R 2,636,064 million). The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 6,00%, 9,90% or 14,25% plus an additional 3,75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2018.

None of the above mentioned plans are State Plans

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

14. Employee benefit obligations (continued)

Long Service Awards

Provision for long service awards	5,147,000	4,812,000
Subtotal	5,147,000	4,022,751
Less: Transfer of current provisions	(504,000)	(506,000)
	4,643,000	**4,306,000**

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities amalgamated in December 2000 to become Umdoni Municipality). The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2021 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2021 by Arch Actuarial Consultants, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

The Long Service Awards plans are defined benefit plans. As at year end, 419 employees were eligible for Long Service Awards.

The future service cost for the ensuing year is estimated to be R 595,000 whereas the interest-cost for the next year is estimated to be R 471,000 (2019: R 509,469 and R 340,561 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	9.62 %	7.46 %
Expected rate of salary increase	5.91 %	4.02 %
Net effective discount rate	3.50 %	3.31 %

The amounts recognised in the Statement of Financial Position are as

Present value of fund obligation	5,147,000	4,812,000

The amount recognised in the Statement of Financial Performance under employee related costs are as follows:

Current service cost	556,000	509,469
Interest cost	340,000	340,561
Actuarial loss/(gain)	19,899	170,365
	915,899	**1,020,395**

The movement in the defined benefit obligation over the year is as follows:

Balance at beginning of year	4,812,000	4,516,624
Current service cost	556,000	509,469
Interest cost	340,000	340,561
Benefits paid	(580,899)	(725,019)
Acturial (gain)/loss recognised	19,899	170,365
	5,147,000	**4,812,000**

The effect of a 1% movement in the assumed rate of salary inflation is as follows:

Increase		
Effect on the aggregate of the current service and interest cost	975,000	923,100
Decrease		
Effect on the aggregate of the current service and interest cost	827,000	785,000

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

14. Employee benefit obligations (continued)

The history of experienced adjustments are as follows:	2021	2020	2019	2016	2015
	5,147,000	4,812,000	4,516,624	4,022,751	3,591,009

15. Consumer deposits

	2021	2020
Rates- Valuations appeal	19,819	19,819
signage and poster deposits	79,988	79,988
Verge deposits	1,493,455	1,331,764
Rental deposits	849,739	917,485
	2,443,001	**2,349,056**

Deposits are paid by members of the community on application for the hire of community halls and facilities, as stipulated in the tariff of charges. The deposits are repaid when the use of community halls and facilities are completed, and an inspection has been executed to ensure that the facilties hired have been restored to its original condition, and no damage to the property is evident. Council may utilise the deposit as payment to rectify the facilities to its original condition or to restore damage to the property
.
No interest is paid on consumer deposits held.

16. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Re-measurement	Total
Environmental rehabilitation	11,298,370	839,913	1,371,570	13,509,853

Reconciliation of provisions - 2020

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	12,769,247	1,085,386	(2,556,263)	11,298,370

17. Service charges

	2021	2020
Sale of electricity	(110,216)	581,220
Solid waste	95,191	105,783
Refuse removal	10,248,767	9,374,181
	10,233,742	**10,061,184**

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

18. Sale of goods and rendering of services

Advertising	16,885	42,245
Camping fees	210,318	464,161
Tender documents	51,130	137,427
Cemetery and burial	78,038	41,209
Legal fees	165,447	101,154
Building plan fees	908,270	586,442
Membership	62	70
Photocopies and faxes	19,806	43,939
Application for land usage	10,139	23,182
Removal of restrictions	31,296	274,836
Clearance certificates	247,861	154,737
Demolition application fees	419	419
Parking fees	180,247	188,308
Encroachment fees	2,303	9,974
Town planning and servitudes	2,856	1,100
Subdivision	1,263	194
Staff housing rentals	181,661	145,451
Traffic Control	1,462,273	1,379,661
	3,570,274	**3,594,509**

19. Rental of facilities and equipment

Premises		
Premises	5,663,264	6,400,982

20. Interest on investments

Interest revenue		
Bank	7,403,911	13,128,271

21. Agency services

Vehicle Registration	1,633,417	1,416,134

22. Operational revenue

Skills Development Levy Fund	126,313	241,520
Settlement Discount	7,739	1
Commision Earned	430,803	60,711
Special consents	9,163	25,081
Inspection fees	10,270	-
Breakages and Losses	52	2,220
	584,340	**329,533**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

23. Property rates

Property rates billed

Residential	59,210,202	53,997,375
Business, Commercial and Industrial	27,632,600	26,626,030
Public Benefit and Public Service Infrastructure	5,017,785	2,910,148
Small holdings and farms	4,038,153	3,859,014
Vacant Land	3,625,391	7,631,677
	99,524,131	95,024,244
Property rates - interest and penalties imposed	5,341,245	5,316,354
	104,865,376	**100,340,598**

Randages in terms of the Municipal Property Rates Act

Residential	0.01091	0.01044
Commercial,Business and Industrial	0.01460	0.01397
Agricultural Property	0.00273	0.00261
Public Service Infrastructure, Public Benefit Organisations	0.00273	0.00261
Vacant Industrial, Commercial and Other	0.02720	0.02603

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2022.

Rebates on these rates are allowed on the following basis:		
Special residential (excluding land)	75,000	75,000
Vacant property	15,000	15,000
Disabled persons, pensioners, indigent persons as defined in the indigent policy (inclusive of the R75,000 above)	370,000	370,000
	460,000	**460,000**

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

24. Licences and permits

Boat	10,522	10,261
Trading licence	33,718	5,722
Drivers and Learners licence	5,787,923	4,201,064
Taxi rank permits	11,211	20,052
	5,843,374	**4,237,099**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

25. Government grants and subsidies

Operating grants		
Equitable share	161,997,000	132,002,000
Finance Management Grant	2,000,000	3,000,000
Tiltle Deeds Grant	29,072	-
Spatial Development Framework Grant	730,500	1,019,500
Provincial Library Services Grant	9,338,000	9,003,000
Expanded Public Works Programme	1,398,000	1,228,000
Municipal Infrastructure Grant	1,524,900	1,533,900
Covid 19 Disaster Relief Grant	-	1,341,000
Disaster Management Grant	-	120,000
	177,017,472	**149,247,400**
Capital grants		
Municipal Infrastructure Grant	21,802,247	20,702,503
	198,819,719	**169,949,903**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	34,100,803	168,765,638
Unconditional grants received	166,149,000	132,002,000
	200,249,803	**300,767,638**

Equitable Share

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

Covid 19 Relief Grant

Current-year receipts	-	1,341,000
Conditions met - transferred to revenue	-	(1,341,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 13).

Equaitable share-Covid 19 grant

Current-year receipts	26,476,000	-
Conditions met - transferred to revenue	(22,324,000)	-
	4,152,000	**-**

Conditions still to be met - remain liabilities (see note 13).

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

Disaster Management Grant

Balance unspent at beginning of year	4,985,524	-
Current-year receipts	-	5,105,524
Conditions met - transferred to revenue	-	(120,000)
	4,985,524	**4,985,524**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

25. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 13).

Municipal Infrastructure Grant

Balance unspent at beginning of year	8,441,597	-
Current-year receipts	24,719,000	30,678,000
Conditions met - transferred to revenue	(23,327,147)	(22,236,403)
	9,833,450	**8,441,597**

Conditions still to be met - remain liabilities (see note 13).

Integrated National Electrification Programme

Balance unspent at beginning of year	-	7,787,932
Current-year receipts	-	15,000,000
Conditions met - transferred to revenue	-	(22,787,932)
	-	**-**

Conditions still to be met - remain liabilities (see note 13).

Provincial Library Services Grant

Current-year receipts	9,338,000	9,003,000
Conditions met - transferred to revenue	(9,338,000)	(9,003,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 13).

Finance Management Grant

Current-year receipts	-	3,000,000
Conditions met - transferred to revenue	-	(3,000,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 13).

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

Expanded Public Works Programme

Current-year receipts	1,398,000	1,228,000
Conditions met - transferred to revenue	(1,398,000)	(1,228,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 13).

Title Deeds Restoration Grant

Balance unspent at beginning of year	235,952	-
Current-year receipts	500,000	235,952
Conditions met - transferred to revenue	(29,072)	-
	706,880	**235,952**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

25. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 13).

Spatial Development Framework Grant

Balance unspent at beginning of year	730,500	1,000,000
Conditions met - transferred to revenue	(730,500)	(269,500)
	-	**730,500**

Conditions still to be met - remain liabilities (see note 13).

Housing Development

Balance unspent at beginning of year	4,968,821	1,304,100
Current-year receipts	124,749,073	42,482,461
Conditions met - transferred to revenue	(126,245,982)	(38,817,740)
	3,471,912	**4,968,821**

Conditions still to be met - remain liabilities (see note 13).

26. Fines, Penalties and Forfeits

Overdue Books Fines	1,290	5,937
Municipal Traffic Fines	1,328,600	2,465,750
	1,329,890	**2,471,687**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

27. Employee related costs

Basic salaries	90,778,175	86,604,847
13th cheque	6,656,362	5,279,219
Medical aid contributions	5,894,931	5,050,497
Unemployment Insurance Fund	762,727	743,287
Skills Development Levy	1,015,644	916,965
Contribution for Leave Pay	3,267,422	5,035,527
Pension fund contributions	14,363,595	13,357,427
Post retirement medical aid contributions	3,533,899	3,274,520
Staff Insurance	2,638	2,701
Overtime payments	5,385,095	4,972,669
Non Pensionable allowances	767,077	737,237
Shift allowance	168,607	114,879
Housing Benefits and allowances	299,306	265,066
Rental Subsidy	42,934	41,253
Bargaining Council Levy	57,292	54,774
Cellphone allowance	263,353	248,732
Travelling allowance	42,400	127,200
Standby allowance	464,694	506,929
	133,766,151	**127,333,729**

Remuneration of the Acting Municipal Manager : MZ Silinga (Jan 21 - June 21)

Annual remuneration	491,329	-
Cellphone Allowance	9,947	-
	501,276	**-**

Remuneration of the Municipal Manager: Dr V Tsako (Nov 2018-June 2020)

Annual remuneration	637,698	998,887
Allowance	13,192	20,868
Backpay	-	21,871
Leave paid	152,549	-
	803,439	**1,041,626**

Remuneration of the Chief Financial Officer : Ms T Mhlongo (July 2020 - November 2020)

Annual remuneration	289,095	836,536
Cellphone Allowance	2,200	6,600
Performance bonus	-	54,278
Travelling allowance	42,400	127,200
Backpay	-	30,749
Leave paid	171,048	-
	504,743	**1,055,363**

Remuneration of the Acting Manager: Financial Manager: MS Dlamini(Jan 2020- June 2021)

Annual remuneration	404,406	-
Cellphone allowance	1,707	-
Leave Pay	23,310	-
	429,423	**-**

Remuneration of the General Manager: Corporate Services Mr SG Dludla (Jul 2020 - Jun 2020)

Annual remuneration	846,306	70,525
Cellphone allowance	6,600	550
Acting allowance	32,457	-
	885,363	**71,075**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

27. Employee related costs (continued)

Remuneration of the General Manager : Corporate Services Mrs N Ncame (July 2017 - June 2019)

Leave paid	-	175,043

Remuneration of the Acting Manager:Technical Services Mr MN Manyathi Jun 2019-Dec 2019)

Annual remuneration	-	202,854
Cellphone allowance	-	3,850
Leave pay	-	12,982
	-	**219,686**

Remuneration of Acting Manager: Technical Services Mr SM Nkwanyana (Feb 20 - Jun 20)

Annual remuneration	846,307	346,813
Backpay	-	56,592
Cellphone allowance	3,300	-
	849,607	**403,405**

Remuneration of the General Manager : Community Services: Mr VT Khanyile (Nov 2019-Jun 2020)

Annual remuneration	696,307	549,666
Cellphone allowance	6,600	4,400
Travel allowance	150,000	-
Backpay	-	14,538
Acting allowance	-	8,822
	852,907	**577,426**

Remuneration of the Acting General Manager: Planning and Development Mr MCI Mzotho (Nov 2018-June 2020)

Annual remuneration	811,044	820,138
Cellphone allowance	6,480	6,480
Backpay	-	23,261
	817,524	**849,879**

28. Remuneration of councillors

Cllr WT Dube (Mayor)	301,753	905,259
Cllr ST Khathi (Deputy Mayor)	305,453	733,088
Executive Committee Members	3,507,733	3,450,229
Cllr NP Mpanza (Speaker)	733,088	733,088
Other councillors	9,230,856	9,265,262
Cllr STKhathi(Mayor)	552,172	-
Cllr SSI Khwela (Deputy Mayor)	446,918	-
	15,077,973	**15,086,926**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

28. Remuneration of councillors (continued)

Mayor (Cllr WT Dube)(July 2020- October 2020)		
Basic salary allowance	286,953	860,859
Cellphone allowance	14,800	44,400
	301,753	**905,259**

Deputy Mayor (Cllr ST Khathi)		
Basic salary allowance	286,953	688,688
Cellphone allowance	18,500	44,400
	305,453	**733,088**

Executive Committee Members		
Basic salary allowance	3,282,033	3,228,230
Cellphone allowance	225,700	222,000
	3,507,733	**3,450,230**

Speaker (Cllr NP Mpanza)		
Basic salary allowance	688,688	688,688
Cellphone allowance	44,400	44,400
	733,088	**733,088**

Other Councilllors		
Basic salary allowance	-	7,977,663
Cellphone allowance	-	1,287,600
	-	**9,265,263**

Mayor (Cllr ST Khathi)		
Basic salary allowance	502,168	-
Cellphone allowance	25,900	-
Backpay	24,104	-
	552,172	**-**

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Commitee members are full-time. The Mayor, Deputy Mayor and Speaker are provided with an office and secretarial support at the cost of council.

The Mayor, Deputy Mayor and Speaker have use of council owned vehicles for official duties and each have one full time driver.

The Mayor has two full time bodyguards. The Deputy Mayor and Speaker have one full time bodyguard per person .

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
29. Contracted services		
Outsourced Services		
Alien Vegetation Control	666,791	1,066,826
Animal Care	23,741	41,169
Burial Services	-	31,459
Business and Advisory	6,407,451	8,684,973
Catering Services	1,243,147	314,572
Cleaning Services	407,786	1,209,199
Clearing and Grass Cutting Services	1,714,010	114,200
Hygiene Services	6,512,261	121,604
Internal Auditors	259,638	394,500
Medical Health Services and Support	1,060	86,400
Refuse Removal	8,961,732	4,503,367
Security Services	9,025,186	11,158,915
Swimming Supervision	688,500	1,099,999
Transport Services	386,801	407,622
Electrical	3,768,546	1,850,795
Consultants and Professional Services		
Business and Advisory	309,663	602,755
Infrastructure and Planning	1,292,505	1,297,185
Legal Cost	4,458,950	3,378,783
Contractors		
Catering Services	44,058	245,649
Electrical	-	858,303
Employee Wellness	17,761	352,684
First Aid	14,815	2,796
Gas	149,127	853,865
Maintenance of Buildings and Facilities	4,428,013	7,039,984
Maintenance of Equipment	5,040,163	14,134,372
Maintenance of Unspecified Assets	27,873,282	23,172,517
Medical Services	84,200	58,144
Traffic and Street Lights	2,264,808	274,030
Sports and Recreation	683,245	310,145
Stage and Sound Crew	86,720	44,800
Shark Nets	1,716,434	1,354,000
	88,530,394	**85,065,612**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

30. Operational expenditure

Advertising	1,888,884	1,769,021
Signage	107,252	13,750
Auditors remuneration	2,926,374	2,199,395
Bank charges	317,647	349,160
Commission paid	199,052	217,215
Learnerships and Internships	-	145,000
Consumables, Materials and Supplies	13,638,286	6,466,783
Bursaries	181,097	377,430
Hire charges	1,470,224	91,250
Insurance	1,262,598	1,238,041
Conferences and seminar registration fees	1,050,624	1,049,368
Computer services and licence fees	4,737,976	5,160,065
Fuel and oil	5,249,095	5,574,135
Printing and stationery	743,805	1,822,978
Uniform and Protective clothing	3,185,687	1,679,525
Drivers licence and motor vehicle fees	1,444,126	1,117,049
Subscriptions and membership fees	1,424,360	274,691
Telephone and fax	2,310,313	2,248,580
Travel and subsistence expenditure	908,219	553,768
Vehicle Tracking	3,091	2,927
Electricity and water	12,007,893	7,449,574
Firearm handling fees	12,753	12,711
Workmens Compensation	-	1,181,343
Ward Committees	2,175,112	2,205,792
Indigent relief	527,782	1,559,084
	57,772,250	**44,758,635**

31. Depreciation and amortisation

Property, plant and equipment	38,340,427	39,504,709
Investment property	408,291	408,291
Intangible assets	77,960	77,960
	38,826,678	**39,990,960**

32. Contributions to Landfill Site Provisions

Contribution to Landfill Site Provision	839,913	1,085,386

33. Impairment of assets

Impairments		
Property, plant and equipment	3,257,599	23,099,072
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable service amount of the asset was based on its value in use.		
Investment property	188,186	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
	3,445,785	**23,099,072**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

34. Finance costs

Trade and other payables - Overdue accounts	174,124	961
Finance leases	-	25,560
	174,124	**26,521**

35. Lease rentals on operating lease

Plant and equipment		
Contractual amounts	1,031,921	41,833

36. Debt impairment

Debt impairment	18,490,091	40,127,556

37. Transfers and Subsidies

Grants paid to ME's		
Ugu South Coast Development Agency and Ugu South Coast Tourism	1,867,658	1,013,595
Other subsidies		
Grant in aid	13,206	244,000
Social relief	107,550	87,840
Youth development - Section 20 schools	395,060	772,113
Skills development and training	829,573	1,268,651
	1,345,389	**2,372,604**
	3,213,047	**3,386,199**

38. Auditors' remuneration

Audit Fees	2,926,374	2,199,395

39. Cash generated from operations

Deficit	(37,852,778)	(69,446,255)
Adjustments for:		
Depreciation and amortisation	38,826,678	39,990,960
Actuarial (gain)/loss	1,294,402	(719,243)
Impairment loss	3,445,785	23,099,072
Debt impairment	18,490,091	40,127,556
Movements in operating lease assets and accruals	101,159	27,654
Contribution to defined benefit obligations included in employee cost	4,828,301	3,274,520
Contribution to Refuse Site Provision	839,913	1,085,387
Contribution to staff leave	3,267,422	5,035,527
Loss on disposal of assets	4,457,857	-
Changes in working capital:		
Receivables from exchange transactions	(2,744,517)	(3,667,687)
Receivables from non-exchange transactions	(19,827,555)	(7,057,205)
Payables from exchange transactions	23,768,159	(23,747,121)
VAT	(5,294,380)	(914,119)
Unspent conditional grants and receipts	3,787,373	9,270,361
Consumer deposits	93,945	57,493
Employee benefit obligation	(2,620,703)	(1,472,459)
	34,861,152	**14,944,441**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	18,526,895	17,046,937
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	438,754	-
Total capital commitments		
Already contracted for but not provided for	18,526,895	17,046,937
Not yet contracted for and authorised by accounting officer	438,754	-
	18,965,649	**17,046,937**

Authorised operational expenditure

Already contracted for but not provided for		
• Contracted Services	15,062,579	24,460,724
Not yet contracted for and authorised by accounting officer		
• Contracted Services	10,622,925	-
Total operational commitments		
Already contracted for but not provided for	15,062,579	24,460,724
Not yet contracted for and authorised by accounting officer	10,622,925	-
	25,685,504	**24,460,724**

Total commitments

Total commitments		
Authorised capital expenditure	18,965,649	17,046,937
Authorised operational expenditure	25,685,504	24,460,724
	44,651,153	**41,507,661**

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

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	-	40,710

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Rental expenses relating to operating leases		
Office equipment	-	40,710

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

41. Related parties

Related party balances

Transactions with Key Management		
Councillors	15,077,973	15,086,928
Municipal Manager and Section 57 personnel	5,461,003	4,487,089
Transactions with related parties other than key management personnel		
Umdoni Municipality provides a subsidy to Ugu South Coast Tourism	-	1,390,712
Umdoni Municipality provides a subsidy to Ugu South Coast Development Agency	-	665,634

Key management information

42. Risk management

Financial risk management

The Municipality has reviewed and assessed the following main categories of risk as being immaterial

- Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality’s income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

- **Foreign currency ris**k

The municipality’s activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Liquidity risk

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

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

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

42. Risk management (continued)

Credit risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

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

Investments/Bank, Cash and Cash Equivalents-The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with major institutions. No investments with a tenure exceeding twelve months are made.

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

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Market risk

Interest rate risk

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

Financial Instruments disclosure

The municipality does not hedge foreign exchange fluctuations.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows:

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

Cash and cash equivalents	**Category**
30 Day Deposits	Financial asset measured at amortised cost
Bank balances	Financial asset measured at amortised cost
Cash on hand	Financial asset measured at fair value
Trade receivables from exchange transactions & non-exchange transcations	
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost
Operating lease asset	Financial asset measured at amortised cost

SUMMARY OF FINANCIAL ASSETS

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

42. Risk management (continued)

Financial Assets at Amortised Cost :		
Receivables from exchange transactions	9,417,913	6,673,395
Receivables from non-exchange transactions	32,567,356	31,229,892
Bank balances	205,354,116	194,682,825
VAT receivable	17,997,170	12,702,791
Operating lease asset	45,993	147,152
Financial Assets at Fair Value		
Cash on Hand	1,278	5,250
	265,383,826	**245,441,305**

FINANCIAL LIABILITIES:

In accordance with GRAP 104 the Financial Liabilities of the municipality are classified as follows :

Financial Liabilities	**Category**
Long-term Liabilities	
Annuity Loans	Financial asset measured at amortised cost
Payables	
Trade Creditors	Financial asset measured at amortised cost
Payments received in advance	Financial asset measured at amortised cost
Consumer deposits	Financial asset measured at amortised cost
Staff leave	Financial asset measured at amortised cost
Other creditors	Financial asset measured at amoritised cost
Current Portion of Long-term Liabilities	
Annuity loans	Financial asset measured at amortised cost
Financial liabilities at amortised cost	Financial asset measured at amortised cost

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

Consumer Deposits	2,443,001	2,349,056
Trade Payables and Accruals	31,194,944	9,911,892
Payments received in advance	6,424,760	5,873,464
Retention	7,411,923	5,273,718
Accrued leave pay	16,108,255	14,297,341
Unallocated deposits	2,941,884	1,689,773
Employee benefit obligations	25,485,000	21,983,000
	92,009,767	**61,378,244**

43. Events after the reporting date

Adjusting Events

Management have not identified any matter or circumstance that existed prior to the end of the financial year, that will impact on the fair presentation of the annual financial statements.

Non Adjusting Events

The uMdoni Local Municipality in the area of uMzinto and the surroundings was affected by civil unrest that took place in July 2021 subsequent to year end. The extent of the looting of stock and damage to commercial properties are considered as significant. The operations of 35 commercial customers who are our rates payers were affected, as a result of strain to them to pay for their rates accounts. Those commercial customers were owing the municipality a total amount of R1,861,322.10 as at 30 June 2021.

The uMdoni Local Municipality owns Community Hall and Municipal Offices, situated in Mistake Farm area and Vulamehlo area respectively. These Property, Plant and Equipment were burnt down during the civil unrest that took place in July 2021 subsequent to year end. In these Property, plant and equipment, there were different types of movable assets. The extent of the damage is considered significant, however, the estimation of the damage could not be quantified at time of issue of the financial statements

44. Unauthorised expenditure

	2021	2020
Opening balance as previously reported	103,690,984	42,302,463
Opening balance as restated	**103,690,984**	**42,302,463**
Add: Expenditure identified - current	16,930,064	61,388,521
Closing balance	**120,621,048**	**103,690,984**

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

	2021	2020
Non-cash	16,930,064	55,109,094
Cash	-	6,279,426
	16,930,064	**61,388,520**

Analysed as follows: non-cash

	2021	2020
Employee related cost	-	2,536,173
Impairment Loss on property, plant and equipment	-	14,185,137
Debt impairment	12,472,207	38,387,784
Write off of assets	4,457,857	-
	16,930,064	**55,109,094**

Analysed as follows: cash

	2021	2020
Contracted services	-	6,279,426

The unauthorised expenditure relates to increased estimates on debt impairment due to decreased collection levels. The increase in impairment of assets is due to damaged infrastructure and other assets from the prior year flood. Additionally the contribution to leave pay provision has been calculated at a higher value than originally anticipated.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

44. Unauthorised expenditure (continued)

Unauthorised expenditure: Budget overspending – per municipal department:

Community services	-	8,366,775
Corporate services	-	2,536,173
Financial services	16,930,064	30,021,009
Planning and development	-	6,279,426
Technical services	-	14,185,137
	16,930,064	**61,388,520**

45. Fruitless and wasteful expenditure

Opening balance as previously reported	4,757,822	553,189
Opening balance as restated	**4,757,822**	**553,189**
Add: Expenditure identified - current	11,192,174	4,204,633
Closing balance	**15,949,996**	**4,757,822**

Notes to the Annual Financial Statements

Figures in Rand

45. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

Description		
Interest on late payments	43,641	-
Payments made without goods being delivered	11,148,533	2,923,025
Danger allowances paid to employees	-	1,281,608
	11,192,174	**4,204,633**

Amounts to the value of R 14,071,557 (R 11,148,533 relating to current year expenditure and R 2,923,025 for the prior year expenditure) was paid as direct payments from the trade payable and pension liability accounts and management could not confirm that the goods were delivered. During the audit process, it was established that these payments met the definition of material losses, due to the municipality undertaking a due diligence and confirming that that goods and/or services were not delivered. These matters shall be reported to Council to pronounce on how this matter should be addressed and has been further included in fruitless and wasteful expenditure for further investigation.
In addition, the danger allowances was a prior period restatement due to the expenditure being incurred in the prior financial yaer, and was not previously disclosed as danger allowances..

46. Irregular expenditure

Opening balance as previously reported	336,734,846	232,738,910
Opening balance as restated	**336,734,846**	**232,738,910**
Add: Irregular Expenditure - current	91,640,629	11,903,155
Add: Irregular Expenditure - prior period	-	92,092,781
Closing balance	**428,375,475**	**336,734,846**

Notes to the Annual Financial Statements

46. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Regulation 36 incorrectly applied		44,549	249,534
Regulation 32 contracts incorrectly applied		769,045	835,992
Non Compliance with SCM regulations		8,807,609	479,332
BAC Non compliance		49,559,632	91,295,123
Payments made subsequent to expired contracts		6,405,845	11,135,961
Non-compliance with tax matters		512,186	-
Inadequate documentation to support SCM process		25,541,763	-
		91,640,629	**103,995,942**

Disciplinary steps taken/criminal proceedings

47. Accounting by principals and agents

Integrated National Electrification Programme

The municipality is a party to a principal-agent arrangement in terms of the Integrated National Electricification Programme. The municipality is considered to be an agent in accordance with GRAP 109, with the Department of Energy being the principal in this arrangement.

47. Accounting by principals and agents (continued)

Details of the arrangement is as follows:

The purpose of the principal-agent relationship is to eradicate the household electrification backlog and to ensure universal access to electricity. Significant risks are inventory risks, Electrification not conducted as per the designs, Contractor leaving the site before completion, Use of sub-standard material, Employees not paid by the contractor.

Significant terms and conditions of the arrangement are as follows:
Manage the electrification programme as well as the design and the implementation of the project.
Appoint service providers within the required timeframe as per the agreement.
Ensure that all the engineering designs and pre-engineering work is completed.
Ensure that houses are already built and occupied before the electrification project can commence.
Statutory reporting.
Co-operate with the Department to ensure that technical audits are conducted by availing as-built drawings, list of beneficiaries, copies of the certificate of compliance and Tender documents and specifications

Significant risks have been identified as follows:
Significant risks are inventory risks, electrification not conducted as per the designs, the contractor leaving the site before completion, the use of sub-standard material and employees not paid by the contractor.
-
Mitigation strategies and benefits associated with the relationship are as follows:
Service Provider appointed and assumes for the work done and inventory risks associated as outlined in the award letter
Department of Energy is monitoring the project in phases
Retention and surety is withheld in each phase of the installation
Project steering committee had been established to monitor the project

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

During the financial year, the municipality received R0 million in addition to the opening balance of R 0.

Revenue recognised

The municipality does not receive compensation for the transactions carried out on behalf of the principal, in terms of the arrangement, and hence no revenue has been recognised in the current and prior financial year.

Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities which were incurred on behalf of the principal have been settled during the financial year, and hence no outstanding payments were recorded at year end..
Corresponding rights of reimbursement that have been recognised as assets are the excess expenditure incurred on the project which was above the funds received. The recievable amounts to R 1 850 793 (R- 2019).

Housing Development Project

The municipality is a party to a principal-agent arrangement in terms of the Housing Development Project. The municipality is considered to be an agent in accordance with GRAP 109, with the Provincial Department of Human Settlements being the principal in this arrangement.

Details of the arrangement is as follows:

47. Accounting by principals and agents (continued)

The purpose of the arrangement is to construct low-cost houses for the identified beneficiaries. The funding is provided by the Provincial Department of Human Settlements.

Significant terms and conditions of the arrangement are as follows:
The municipality to procure the implementation of the project on a rural in-situ upgrade.
Design the product in consultation with all stakeholders.
Investigate building systems and designs for the Top-Structures and Rain Water Harvesting Tanks that are acceptable with the community, the municipality and the Department.
Prepare detailed Top Structure foundation designs in accordance to the varying geotechnical conditions.
Construct the Top Structures and Rain Water Harvesting tanks in accordance with the drawings and specifications within the period of the agreement.

Significant risks have been identified as follows:
The significant risks identified are delays in land acquisitions, Delays in funding approval, Social unrest, Inadequate funding to meet the requirements, and environmental risks
-
Mitigation strategies and benefits associated with the relationship are as follows:
Negotiating with land owners prior to the construction
Ensuring compliance with the agreements to ensure speedy release of the funding
Constant communication with the community and ensuring public participation
Be pro-active in the feasibilty study to be aware of the evironmental pre-conditions

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

.During the year, the municipality had an opening balance of R 4 968 821,12 and received R124 749 073. Only R 126 245 982 has been spent during the year. Balance of R 3 471 912,12 was left unspent. It is recorded under Unspent Conditional Grants, Current Liabilities.

Revenue recognised

The municipality does not receive compensation for the transactions carried out on behalf of the principal, in terms of the arrangement, and hence no revenue has been recognised in the current and prior financial year

Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities which were incurred on behalf of the principal have been paid, however at year end there was an oustanding payment of R 1 950 304,66..

Resources (including assets and liabilities) of the entity under the custodianship of the agent

Resources have been recognised by the agent in its financial statements. Included in unspent conditional grants is the balance of the funds left amounting to R 3 471912,12.

During the period the municipality had an opening balance of R 4 968 821,12 and recieved funds amounting to R 124 749 073. Funds were spent in implementing these projects; Vulamehlo, Amahlongwa, Malangeni,kwaCele and Mistake Farm.
The resources left will not be remitted by the agent to the principal, instead the municipality will continue to implement the projects.
There is no specific time for handing over of rural housing projects. They are handed over as they are completed continously.

There are cost implications for the entity if the principal-agent arrangement is terminated

The municipality is liable of the damages should it fail to remedy a breach within 14 days of the reciept of a written notice of such breach.

47. Accounting by principals and agents (continued)

Motor Vehicle Registrations

The municipality is a party to a principal-agent arrangement in terms of motor vehicle registrations. The municipality is considered to be an agent in accordance with GRAP 109, with the Provincial Department of Transport being the principal in this arrangement.

Details of the arrangement

The purpose of the principal-agent relationship is to provide service the community and to enhance the municipality's revenue.

Significant terms and conditions of the arrangement are as follows:
The Provincial Department shall issue the motor vehicle licence renewal form to the respective owners of the motor vehicles, indicating the amount due for the year

The municipality provide facilities for owners of motor vehicles to pay their licences. The Provincial Department provide the municipality with access to its IT systems to enable capturing of the amounts received and issuing of the motor vehicle licences on their behalf. The system automatically generates the motor vehicle licence upon capturing the payment of the fees due.

The municipality collect the fees due from motor vehicle owners and simultaneously issue the new licences on behalf of the Department

The municipality is required to pay over any revenue (cash) collected to the Department in respect of motor vehicle licences.

The municipality is tled to retain 8,55% of the cash collected for undertaking this activity on behalf of the Department.

Significant risks have been identified as follows:

The significant risks relate to the possible loss of any monies during transit and potential theft by employees

Mitigation strategies and benefits associated with the relationship are as follows:
Cameras installed and monitored
Access is controlled through biometric system
Cash is collected by the security services company and such cash is insured
Internal controls and reconcilations are performed on a daily and monthly basis

Resources held on behalf of the principal, but recognised in the entity's own financial statements

During the financial year, the municipality collected R 23 846 673,14. All the monies collected were paid over to the principal as banking is done everyday.

No resources are expected to be paid over to the principal.

Revenue recognised

Revenue has been recognised as the compensation for the transactions carried out on behalf of the principal is R1 633 416,80 (2020: R1 416 134,20).

Liabilities and corresponding rights of reimbursement recognised as assets

No liabilities were incurred on behalf of the principal during the financial year, and hence no outstanding payments were recorded at year end.

No corresponding rights of reimbursement that have been recognised at year

Resources (including assets and liabilities) of the entity under the custodianship of the agent

No resources have been recognised by the agent in its financial statements.The municipality is required to return the equipment supplied by the department should the agreement is terminated.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,418,810	1,527,375
Amount paid - current year	(1,427,515)	(7,705)
	(8,705)	**1,519,670**

Audit fees

Current year subscription / fee	2,784,884	2,378,596
Amount paid - current year	(2,784,884)	(2,378,596)
	-	-

Unemployment insurance fund and Skills Levy

Opening balance	1,767,196	1,660,249
Current year subscription / fee	(1,767,196)	(1,660,249)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	20,258,528	18,407,923
Amount paid - current year	(20,258,528)	(18,407,923)
	-	-

VAT

VAT receivable	18,555,466	13,077,155
VAT payable	558,296	374,365
	19,113,762	**13,451,520**

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

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

Councillors' arrear consumer accounts

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

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
W & N Dube	1,579	3,669	5,248
R&R Brijraj	1,371	-	1,371
	2,950	**3,669**	**6,619**

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
An emergency: Expenditure incurred in accordance with Section 36 of the SCM Regulations in respect of an emergency.	5,850,049	890,940
Goods and services procured or available from a single provider only: Expenditure incurred in accordance with Section 36 of the SCM Regulations in respect of goods and services or available from a single provider only.	1,301,417	845,518
Exceptional case where it is impractical or impossible to follow the official procurement processes : Expenditure incurred in accordance to Section 36 of the Regulations in respect of exceptional case where it is impractical or impossible to follow the official procurement processes.	1,312,244	677,673
	8,463,710	**2,414,131**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

49. Contingent Liabilities

Personal injury claims against the municipality for injuries and damages sustained by claimant’s child	4,799,428	7,684,177
Contractual in nature, whereby Plaintiff claimed the amount of R610 350 from the municipality for services allegedly rendered(supply of G4 gravel). Plaintiff withdrew the claim. No evidence of Tender process followed. Validly of claim questionable.Plaintiff subsequently initiated new claim which was dismissed with costs. we have 2 cost orders in our favour	583,991	-
Breach of Contract claim	2,465,316	-
Breach of contract – construction and renovations to Umzinto Sports field were terminated. Contractor has claimed payment for services rendered subsquent to termination	-	2,540,065
Breach of contract claim in respect of a tender being awarded to a service provider but could not commence construction due to objections from the public	4,706,062	4,706,062
Breach of contract claim – rehabilitation of the Scottburgh CBD	24,902,689	24,902,689
Stormwater damage claims in respect of damages to residential and commercial properties	-	1,015,000
Breach of contract claim due to termination of agreement in respect of the Rehabilitation Umzinto CBD	13,293,858	13,203,585
Counter claim lodged by Mr Sulugan against the municipality for alleged storm water damage to his property	1,007,546	-
Outstanding invoice claims from suppliers that are currently under legal dispute	-	30,908
Claim against the municipality for unlawful arrest and detention	-	225,000
Claim against the municipality for award of tender, despite award being set aside by the Municipal Bid Appeals Tribunal	-	60,000
Claim against Municipality for unfair suspension. This claim is in respect of legal fees incurred for appointment of attorneys for disciplinary hearing	-	184,929
Claim for for services allegedly rendered related to the supply of G4 gravel, however no tender process followed	-	634,490
Applicant alleged that Umdoni was permitting unlawful invasion of its lane and constructing of a road on its property, alternatively earmarked the property for such construction	46,971	-
Applicant alleges that due to the failed water pipe system above their property heavy rainfall, over time has led to damage to their property and the 2nd applicant's stock in trade	41,375	-
	51,847,236	**55,186,905**

Contingent Liabilities that cannot be quantified:
The Municipality has commenced employee job evaluations as prescribed in terms of the salary wage collective agreement between SALGA, IMATU and SAMWU – 27 July 2012. As a result, the Municipality is unable to measure, with sufficient reliability, the amount of such obligation for as at 30 June 2019.

50. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of 782,304,720 and that the municipality's total assets exceed its liabilties by 793,596,470.

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.

50. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the sound financial management will remain in force for so long as it takes to maintain the solvency of the municipality.

The world continued to experience a Covid-19 pandemic disease, resulting in many businesses and residents financial situation being impacted.

When determining going concern, the wide-ranging effects of the virus and the restrictions imposed were taken into account including the possible impact on service delivery, purchasing of goods and services required to enable service delivery. The working capital cycle impact which may severely affect the entity’s ability to settle its debts as they become due as well as default on payments on loans and facilities has been further considered.

The revenue collection on fines, penalties, service charges, licenses and permits are a few of the income streams which were affected due to the pandemic.

The pandemic has affected all customers of the municipality since operations were prevented during the level restrictions imposed by Government and there is uncertainty on whether the customers will be able to settle their accounts on time. The effects of the pandemic were factored in the calculations of provision for bad debts as required by GRAP 104, taking into account the impact on the collection levels of outstanding debtors for the year under review.

Management has further considered the impact, should the rate of Covid-19 infections increase in the near future, and the possibility that a second lock down may be imminent.

In respond to this, the government of South Africa has increased funding support in terms of grants and equitable share which will be used by the municipality to overcome the negative impact of Covid-19 on the municipal operations. The additional allocations will therefore assist the municipality in maintaining cashflow levels to fund service delivery in future.

Management has further redirected funds to meet service delivery requirements and implemented measures to control expenditure to ensure that there is adequate funds to fund additional operations as the need arises.

Based on the above, the financial statements have been prepared on a going concern as sufficient measures are in place to curb the impact of the pandemic.

Notes to the Annual Financial Statements

51. Prior Period Adjustments

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Cash and cash equivalents	194,687,817	-	-	194,687,817
Receivables from exchange transactions	6,673,395	-	-	6,673,395
Inventories	8,849,172	7,114,795	-	15,963,967
Receivables from non-exchange transactions	31,229,892	-	-	31,229,892
VAT receivable	12,702,790	-	-	12,702,790
Operating lease asset	147,152	-	-	147,152
	254,290,218	**7,114,795**	**-**	**261,405,013**
Non-Current Assets				
Investment property	9,415,686	-	-	9,415,686
Property, plant and equipment	704,596,678	(52,495,487)	-	652,101,191
Intangible assets	668,614	(363,272)	-	305,342
Heritage assets	261,011	-	-	261,011
	714,941,989	**(52,858,759)**	**-**	**662,083,230**
Total Assets	**969,232,207**	**(45,743,964)**	**-**	**923,488,243**
Liabilities				
Current Liabilities				
Consumer deposits	2,349,056	-	-	2,349,056
Employee benefit obligation	1,315,000	-	-	1,315,000
Payables from exchange transactions	33,976,947	3,069,240	-	37,046,187
Unspent conditional grants and receipts	18,988,515	373,879	-	19,362,394
	56,629,518	**3,443,119**	**-**	**60,072,637**
Non-Current Liabilities				
Employee benefit obligation	20,668,000	-	-	20,668,000
Provisions	11,298,370	-	-	11,298,370
	31,966,370	**-**	**-**	**31,966,370**
Total Liabilities	**88,595,888**	**3,443,119**	**-**	**92,039,007**
Net Assets	**880,636,319**	**(49,187,083)**	**-**	**831,449,236**
Net Assets				
Reserves				
Housing development fund	12,595,850	(1,304,100)	-	11,291,750
Accumulated surplus	868,040,562	(47,883,076)	-	820,157,486
Total Net Assets	**880,636,412**	**(49,187,176)**	**-**	**831,449,236**

Notes to the Annual Financial Statements

51. Prior Period Adjustments (continued)

51.1 Inventories

Balance previously reported	8,849,172
Prior year adjustment	7,114,795
	15,963,967

Housing stock that meets the definition of inventory was incorrectly reported as property, plant and equipment in the prior year. This was corrected accordingly.

51.2 Property, plant and equipment

Balance previously reported	704,596,678
Prior year adjustments	(52,495,487)
	652,101,191

Assets were identified during the 2020/21 asset verification process, which were not previously included in the fixed asset register, and the audit process. Additionally, assets were removed from the fixed asset register which could not be verified and/or have been incorrectly capitalised as assets previously.

51.3 Intangible assets

Balance previously reported	668,614
Prior year adjustments	(363,272)
	305,342

Leased software was incorrectly capitalised to the asset register in the previous financial years. The leased software was therefore identified and derecognised accordingly.

51.4 Payables from exchange transactions

Balance previously reported	33,976,947
Prior year adjustments	3,069,240
	37,046,187

The municipality reclassified a control account for over and unders on banking from payable from exchange transactions to receivables from exchange transactions, due to the account being a debit balance. Additionally, consumer deposits has been reclassified from trade and other payables to be reported separately on the Statement of Financial Performance, to improve presentation to the users. Invoices relating to prior financial years were processed for payment in the current year, however, these should have been accounted for as creditors in the prior financial year. These invoices are under investigation and has been disclosed as material losses. In addition, retention adjustments were performed to correct the recognition of assets in prior financial years.

51.5 Unspent conditional grants and receipts

Balance previosly reported	18,988,515
Prior period adjustments	373,879
	19,362,394

The conditional grant was utilised in the 2013/14 financial year but the related funding was not correctly allocated.

Notes to the Annual Financial Statements

51. Prior Period Adjustments (continued)

51.6 Housing development fund

Balance previously reported	12,595,850
Correction of error	(1,304,100)
	11,291,750

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Erroneously,the monies were allocated to the Housing Development Fund.Funds were transferred to the municipality for the payment of transfer fees charged for facilitating the transfer of properties. This was amount of R1 304 100,00 which was in respect of the Title Deeds Restoration Programme for the 2017/18 financial year.This amount should have been allocated to the Housing Grant not the Housing Development Fund.

51.7 Accumulated surplus

Balance previously reported	868,040,562
Prior year adjustments	(47,883,076)
	820,157,486

The recognition of fair value of newly identified assets were accounted for against accumulated surplus, including land identified during the audit process. Assets that were previously included in the asset register and could not be verified were removed from the asset register, including the de-recognition of assets that have been incorrectly capitalised.

Notes to the Annual Financial Statements

51. Prior Period Adjustments (continued)

Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Sale of goods	3,594,509	-	-	3,594,509
Service charges	10,061,184	-	-	10,061,184
Operational revenue	329,533	-	-	329,533
Rental of facilities and equipment	6,400,982	-	-	6,400,982
Interest received - receivables	830,058	-	-	830,058
Agency services	1,416,134	-	-	1,416,134
Actuarial gains	719,243	-	-	719,243
Investment revenue	13,128,271	-	-	13,128,271
Total revenue from exchange transactions	**36,479,914**	**-**	**-**	**36,479,914**
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	95,024,244	-	-	95,024,244
Property rates - penalties and interest	5,316,354	-	-	5,316,354
Licence or permits	4,237,099	-	-	4,237,099
Transfer revenue				
Government grants & subsidies	169,949,903	-	-	169,949,903
Fines, Penalties and Forfeits	2,471,687	-	-	2,471,687
Total revenue from non-exchange transactions	**276,999,287**	**-**	**-**	**276,999,287**
Total revenue	**313,479,201**	**-**	**-**	**313,479,201**
Expenditure				
Employee related costs	(127,333,729)	-	-	(127,333,729)
Remuneration of councillors	(15,086,928)	-	-	(15,086,928)
Contribution to/from provisions	(1,085,386)	-	-	(1,085,386)
Depreciation and amortisation	(41,114,231)	1,123,271	-	(39,990,960)
Impairment of cash and non-cash generating assets	(23,921,426)	822,354	-	(23,099,072)
Finance costs	(26,521)	-	-	(26,521)
Debt impairment	(40,127,556)	-	-	(40,127,556)
Lease rentals on operating lease	(41,833)	-	-	(41,833)
Contracted services	(85,976,792)	930,211	-	(85,046,571)
Transfers and subsidies	(3,386,199)	-	-	(3,386,199)
Operational expenditure	(44,758,635)	-	-	(44,758,635)
Total expenditure	**(382,859,236)**	**2,875,836**	**-**	**(379,983,390)**
Operating deficit	**(69,380,035)**	**2,875,836**	**-**	**(66,504,189)**
Material expenditure losses	-	(2,923,025)	-	(2,923,025)
Deficit for the year	**(69,380,035)**	**(47,189)**	**-**	**(69,427,214)**

Notes to the Annual Financial Statements

51. Prior Period Adjustments (continued)

51.8 Depreciation and amortisation

Balance previously reported	(41,114,231)
Prior year adjustment	1,123,271
	(39,990,960)

Depreciation adjustments relates to prior year restatements in asset adjustments to the fixed asset register.

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51.9 Impairment of non cash generating assets

Balance previously reported	(23,921,426)
Prior period adjustment	822,354
	(23,099,072)

Adjustments were effected to prior year impairment, based on the de-recognition of assets that were previously impaired.

51.10 Contracted services

Balance previously reported	(85,976,792)
Prior year adjustment	930,221
	-
	(85,046,571)

Expenditure relating to housing projects were incorrectly allocated to contracted services. This has been corrected to the unpsent housing fund grant.

51.11 Material expenditure losses

Prior period adjustments	2,923,025

Invoices relating to prior financial years were processed for payment in the current year, however, these should have been accounted for as creditors in the prior financial year. These invoices are under investigation and has been disclosed as material losses.

51.12 Fruitless and wasteful expenditure

Balance previously reported	553,189
Prior period restatement - Danger allowances	1,281,608
Prior period restatement - Payments made without goods being delivered	2,923,025
	4,757,822

Amounts to the value of R 2,923,025 for the prior year expenditure was paid as direct payments from the trade payable and accounts and management could not confirm that the goods were delivered. During the audit process, it was established that these payments met the definition of material losses, due to the municipality undertaking a due diligence and confirming that that goods and/or services were not delivered. These matters shall be reported to Council to pronounce on how this matter should be addressed and has been further included in fruitless and wasteful expenditure for further investigation.

In addition, the danger allowances was a prior period restatement due to the expenditure being incurred in the prior financial year and was not previously disclosed as danger allowances

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

52. Material expenditure losses incurred

Material losses incurred due to payments made without goods being delivered	11,148,533	2,923,025

The above mentioned amounts were paid as a direct payment from the trade payable and pension liability accounts, however, the goods could not be confirmed to be delivered. During the audit process, it was established that these payments met the definition of material losses, due to the municipality establishing that goods or services were not delivered, via a due diligence. These matters shall be reported to Council to pronounce on how this matter should be addressed, and has further been included in the fruitless and wasteful expenditure for investigation. Management has undertaken a due diligence, and confirmed the completeness of the amount disclosed as material losses.

53. Change in estimate

Property, plant and equipment

The useful lives of Property Plant and Equipment were assessed by management. At the end of the current period management has revised their estimate ranging from 2 years to 12 years for different asset categories. The effect of this revision has decreased the depreciation charge for the current and the future period by R656 534 in respect of these assets. The assessment was done at year end when the assets were approaching the end of the useful lives and the economic benefits still accruing to the municipality.

Depreciation previously reported	967,496	-
Change in estimate	(656,534)	-
Depreciation restated	**310,962**	**-**

54. Segment information

General information

Identification of segments

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

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

Aggregated segments

The municipality operates within it municipal juridication, as per the boundaries and dermarcation. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout were sufficiently similar to warrant aggregatio..

54. Segment information (continued)

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Roads Transport excluding (Traffic)	Provision of local roads infrastructure and maintenance
Electricity, Street Lighting and Signal Systems	Provision of electricity services
Waste management and street cleaning	Provision of waste management and street cleaning
Economic development and town planning, Development facilitation	Provision of town planning and development
Sports Grounds and Stadiums	Provision of sports grounds and stadiums
Recreational Facilities	Provision of recreational facilities
Libraries and Archives	Provision of library services
Community Halls and Facilities	Provision of community halls and facilities

Notes to the Annual Financial Statements

Figures in Rand

54. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Roads and Stormwater	Electricity services	Waste Management	Housing	Planning and Development	Sports grounds and stadiums	Recreational facilities	Libaries and archives	Community halls and facilities	Total
Revenue										
Revenue from non-exchange transactions	23,222,526	-	-	29,072	2,128,500	-	-	9,339,289	14,318	34,733,705
Revenue from exchange transactions	-	-	10,538,541	36,118	1,012,902	-	210,318	29,196	189,582	12,016,657
Total segment revenue	**23,222,526**	**-**	**10,538,541**	**65,190**	**3,141,402**	**-**	**210,318**	**9,368,485**	**203,900**	**46,750,362**
Other unallocated revenue										293,465,980
Entity's revenue										**340,216,342**
Expenditure										
Employee related cost	(12,060,050)	-	(7,526,587)	(2,337,683)	(8,816,547)	-	(202,850)	(10,390,446)	(12,953,756)	(54,287,919)
Contracted services	(33,721,785)	-	(10,842,116)	(406,449)	(2,918,061)	-	(265,365)	(206,930)	(4,368,237)	(52,728,943)
Operational expenditure	(3,709,714)	(527,782)	(1,949,769)	(1,951,594)	(389,493)	-	(655,264)	(577,516)	(2,333,833)	(12,094,965)
Depreciation and armortisation	(27,951,107)	-	-	-	-	-	-	-	(13,435,254)	(41,386,361)
Material losses	(4,400,358)	-	-	(6,748,174)	-	-	-	-	-	(11,148,532)
Total segment expenditure	**(81,843,014)**	**(527,782)**	**(20,318,472)**	**(11,443,900)**	**(12,124,101)**	**-**	**(1,123,479)**	**(11,174,892)**	**(33,091,080)**	**(171,646,720)**
Total segmental surplus/(deficit)										**218,397,082**

Notes to the Annual Financial Statements

Figures in Rand

	Roads and Stormwater	Electricity services	Waste Management	Housing	Planning and Development	Sports grounds and stadiums	Recreational facilities	Libaries and archives	Community halls and facilities	Total
54. Segment information (continued)										
Unallocated expenses										(206,422,399)
Total revenue reconciling items										-
Entity's surplus (deficit) for the period										**(37,852,778)**
Assets										
Segment assets	368,963,426	61,123	3,458,020	-	-	175,395	-	-	146,201,795	518,859,759
Unallocated assets 1										403,406,098
Total assets as per Statement of financial Position										**922,265,857**
Liabilities										
Segment liabilities	9,915,401	-	-	-	(1,398,000)	(5,470,564)	-	(10,275,380)	-	(7,228,543)
Unallocated liabilities 1										(121,440,844)
Total liabilities as per Statement of financial Position										**(128,669,387)**