# Okhahlamba Local Municipality
(Registration number KZN 235)
Annual Financial Statements
for the year ended 30 June, 2021

## General Information

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|---|---|
| **Legal form of entity** | Local Municipality |
| **Municipal demarcation code** | KZN 235 |
| **Capacity** | Low |
| **Nature of business and principal activities** | Service Delivery: Rates,Waste Management and General services.<br>Main business operations: Local government activities, planning and promotion of the integrated development plan, land, economic and environmental development.<br>The mandate of the municipality is in terms of section 152 of the Constitution of South Africa. |
| **Accounting Officer** | Mr SN Malinga Pr. Techni Eng (Civil) |
| **Councillors** | Mayor - Cllr. MG Ndlangisa<br>Deputy Mayor - Cllr. TG Ngozo<br>Speaker - Cllr. SA Zulu<br>Member of the Executive Committee - Cllr. TA Sigubudu<br>Member of the Executive Committee - Cllr. KI Hadebe<br>Member of the Executive Committee - Cllr. BM Dlamini<br><br>Cllr. ENN Bhengu<br>Cllr. MP Vilakazi<br>Cllr. MJ Hadebe<br>Cllr. MH Msimango<br>Cllr. MH Hlatshwayo<br>Cllr. SR Mlambo<br>Cllr. KS Dladla<br>Cllr. PP Sigubudu<br>Cllr. MMS Vilakazi<br>Cllr. K Simelane<br>Cllr. PAM Mfuphi<br>Cllr. RK Hlongwane<br>Cllr. MI Dlamini<br>Cllr. S Ndimande<br>Cllr. TDJ Van Rensburg<br>Cllr. IM Buthelezi<br><br>Cllr. K Langa<br>Cllr. SM Hlongwane<br>Cllr. SM Buthelezi<br>Cllr. JE Nqubuka<br>Cllr. NA Mdakane<br>Cllr. FB Buthelezi<br>Cllr. SC Hadebe |

# General Information

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|---|---|
| **Registered office** | 259 Kingsway Road<br>Bergville<br>Tel: 036 448 8000<br>communications@okhahlamba.gov.za |
| **Postal address** | P. O. Box 71<br>Bergville<br>3350 |
| **Bankers** | First National Bank, ABSA, Investec Bank and Nedbank. |
| **Auditors** | Auditor General of South Africa |
| **Preparer** | The annual financial statements were internally compiled by:<br>Manager: Finance and reviewed by Acting Chief Financial Officer, Internal Audit and Risk Management and Communication. |

# Index

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



| | |
|---|---|
| LGSETA | Local Government Sectorial Education and Training Authority |
| INEP | Integrated National Electrification Programme |
| CIGFARO | Chartered Institute of Government Finance, Audit and Risk Officers |
| WCF | Workman's Compensation Fund |
| COGTA | Co-operative Governance and Traditional Affairs |
| SETA WIL | Sectorial Education and Training Authority Work Intergrated Learning |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant |
| SDL | Skills Development Levy |
| UIF | Unemployment Insurance Fund |
| SARS | South African Revenue Services |
| GRAP | Generally Recognised Accounting Practice |
| IGRAP | Interpretation of Generally Recognised Accounting Practice |

# Approval of Annual Financial Statements

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

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

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

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

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

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

The annual financial statements set out on page 5 to 72 , 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:

**Mr SN Malinga Pr. Techni Eng (Civil)**
**ND Civil Eng., B Tech Civil Eng.,B Tech in Mngt.,Dipl. Project Mngt.**

**Date of Signature**

**31 August, 2021**

## Statement of Financial Position as at 30 June, 2021

| Figures in Rand | Note(s) | 2021 | 2020 |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | | | |
| Operating lease receivable | 7 | 56,134 | - |
| Receivables from exchange transactions | 8 | 746,187 | 491,170 |
| Receivables from non-exchange transactions | 9 | 1,513,810 | 983,491 |
| VAT receivable | 10 | 5,394,603 | 5,053,671 |
| Consumer debtors | 11 | 32,649,473 | 27,060,109 |
| Cash and cash equivalents | 13 | 71,125,444 | 57,730,330 |
| | | **111,485,651** | **91,318,771** |
| Non-Current Assets | | | |
| Property, plant and equipment | 3 | 423,551,543 | 394,199,668 |
| Intangible assets | 4 | 1,376,739 | 1,118,137 |
| Heritage assets | 5 | 93,660 | 93,660 |
| Receivables from exchange transactions | 8 | 1,791,778 | 1,388,889 |
| | | **426,813,720** | **396,800,354** |
| **Total Assets** | | **538,299,371** | **488,119,125** |
| **Liabilities** | | | |
| Current Liabilities | | | |
| Finance lease obligation | 14 | 4,825,845 | 4,578,814 |
| Payables from exchange transactions | 17 | 46,204,739 | 33,624,328 |
| Employee benefit obligation | 6 | 476,000 | 113,000 |
| Unspent conditional grants and receipts | 15 | 10,376,111 | 29,876,526 |
| Provisions | 16 | 10,500,705 | 10,184,434 |
| | | **72,383,400** | **78,377,102** |
| Non-Current Liabilities | | | |
| Finance lease obligation | 14 | 5,010,331 | 9,421,470 |
| Employee benefit obligation | 6 | 4,114,981 | 3,033,059 |
| | | **9,125,312** | **12,454,529** |
| **Total Liabilities** | | **81,508,712** | **90,831,631** |
| **Net Assets** | | **456,790,659** | **397,287,494** |
| Accumulated surplus | | 456,790,659 | 397,287,494 |
| **Total Net Assets** | | **456,790,659** | **397,287,494** |

## Statement of Financial Performance

| Figures in Rand | Note(s) | 2021 | 2020 |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Service charges | 19 | 2,949,554 | 2,818,776 |
| Rendering of services | | 338,524 | 213,782 |
| Rental of facilities and equipment | | 684,340 | 221,645 |
| Interest on outstanding debtors | | 1,500,199 | 1,027,163 |
| Agency services | 23 | 4,719,613 | 3,046,693 |
| Other income | 22 | 231,117 | 114,627 |
| Interest received | 28 | 2,095,382 | 3,166,600 |
| **Total revenue from exchange transactions** | | **12,518,729** | **10,609,286** |
| **Revenue from non-exchange transactions** | | | |
| **Taxation revenue** | | | |
| Property rates | 18 | 30,460,847 | 29,949,756 |
| Property rates - penalties imposed | 18 | 6,861,996 | 5,810,914 |
| **Transfer revenue** | | | |
| Government grants | 20 | 219,892,442 | 160,654,435 |
| Public contributions and donations | 21 | 6,379,426 | 93,660 |
| Fines, penalties and forfeits | | 577,215 | 561,250 |
| Government subsidies | | 2,947,273 | 3,007,886 |
| **Total revenue from non-exchange transactions** | | **267,119,199** | **200,077,901** |
| **Total revenue** | | **279,637,928** | **210,687,187** |
| **Expenditure** | | | |
| Employee related costs | 25 | (97,638,028) | (86,760,502) |
| Remuneration of councillors | 26 | (11,017,791) | (11,056,965) |
| Retirements benefits | | (281,000) | (287,000) |
| Depreciation and amortisation | 29 | (25,978,105) | (24,661,860) |
| Finance costs | 30 | (1,127,002) | (1,529,200) |
| Lease rentals on operating lease | | (2,132,446) | (1,566,089) |
| Debt Impairment | 27 | (8,474,216) | (9,129,105) |
| Landfill rehabilitation | | 202,005 | - |
| General Expenses | 24 | (71,162,738) | (50,417,880) |
| **Total expenditure** | | **(217,609,321)** | **(185,408,601)** |
| **Operating surplus** | | **62,028,607** | **25,278,586** |
| Loss on disposal of assets and liabilities | | (255,350) | (29,942) |
| Fair value adjustments | | - | 20,000 |
| Actuarial gains/losses | 6 | (976,000) | 1,192,000 |
| Impairment loss/Reversal of impairments | | (1,294,091) | (2,626,369) |
| | | **(2,525,441)** | **(1,444,311)** |
| **Surplus for the year** | | **59,503,166** | **23,834,275** |

## Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|---|---|---|
| **Balance at 1 July, 2019** | **373,453,219** | **373,453,219** |
| Changes in net assets | | |
| Surplus for the period | 23,834,275 | 23,834,275 |
| Total changes | 23,834,275 | 23,834,275 |
| **Balance at 1 July, 2020** | **397,287,493** | **397,287,493** |
| Changes in net assets | | |
| Surplus for the year | 59,503,166 | 59,503,166 |
| Total changes | 59,503,166 | 59,503,166 |
| **Balance at 30 June, 2021** | **456,790,659** | **456,790,659** |

## Cash Flow Statement

| Figures in Rand | Note(s) | 2021 | 2020 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Cash receipts from ratepayers, and other | | 35,962,739 | 34,006,293 |
| Grants | | 200,392,027 | 179,398,413 |
| Interest income | | 2,095,382 | 3,166,600 |
| | | 238,450,148 | 216,571,306 |
| **Payments** | | | |
| Employee costs | | (108,655,819) | (97,817,464) |
| Suppliers | | (59,222,505) | (47,860,739) |
| Finance costs | | (1,127,002) | (1,529,200) |
| | | (169,005,326) | (147,207,403) |
| **Net cash flows from operating activities** | 32 | **69,444,822** | **69,363,903** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 3 | (50,625,880) | (32,514,148) |
| Proceeds from disposal of assets | 3 | - | 731,643 |
| Purchase of other intangible assets | 4 | (132,716) | (814,641) |
| **Net cash flows from investing activities** | | **(50,758,596)** | **(32,597,146)** |
| **Cash flows from financing activities** | | | |
| Finance lease payments | | (5,291,110) | (5,694,374) |
| **Net cash flows from financing activities** | | **(5,291,110)** | **(5,694,374)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **13,395,116** | **31,072,383** |
| Cash and cash equivalents at the beginning of the year | | 57,730,330 | 26,657,949 |
| **Cash and cash equivalents at the end of the year** | 13 | **71,125,446** | **57,730,332** |

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue from exchange transactions** | | | | | | |
| Service charges | 2,845,050 | 100,000 | **2,945,050** | 2,949,554 | **4,504** | |
| Rendering of services | 539,177 | (189,451) | **349,726** | 338,524 | **(11,202)** | |
| Rental of facilities and equipment | 180,292 | 417,676 | **597,968** | 684,340 | **86,372** | |
| Interest received (trading) | - | 1,409,266 | **1,409,266** | 1,500,199 | **90,933** | a |
| Agency Services | 940,500 | 3,942,400 | **4,882,900** | 4,719,613 | **(163,287)** | |
| Other income | 2,943,656 | (2,814,950) | **128,706** | 231,117 | **102,411** | b |
| Interest received - investment | 3,430,272 | (1,200,001) | **2,230,271** | 2,095,382 | **(134,889)** | c |
| **Total revenue from exchange transactions** | **10,878,947** | **1,664,940** | **12,543,887** | **12,518,729** | **(25,158)** | |
| **Revenue from non-exchange transactions** | | | | | | |
| **Taxation revenue** | | | | | | |
| Property rates | 31,062,374 | - | **31,062,374** | 30,460,847 | **(601,527)** | d |
| Property rates - penalties imposed | 5,724,104 | 975,830 | **6,699,934** | 6,861,996 | **162,062** | e |
| **Transfer revenue** | | | | | | |
| Government grants & subsidies | 182,440,000 | 37,437,277 | **219,877,277** | 219,892,442 | **15,165** | |
| Public contributions and donations | - | - | **-** | 6,379,426 | **6,379,426** | f |
| Fines | 851,200 | (299,583) | **551,617** | 577,215 | **25,598** | |
| Subsidies | 2,933,000 | 14,273 | **2,947,273** | 2,947,273 | **-** | |
| **Total revenue from non-exchange transactions** | **223,010,678** | **38,127,797** | **261,138,475** | **267,119,199** | **5,980,724** | |
| **Total revenue** | **233,889,625** | **39,792,737** | **273,682,362** | **279,637,928** | **5,955,566** | |
| **Expenditure** | | | | | | |
| Employee related costs | (94,555,249) | (6,609,116) | **(101,164,365)** | (97,638,028) | **3,526,337** | g |
| Remuneration of councillors | (10,949,492) | (106,719) | **(11,056,211)** | (11,017,791) | **38,420** | |
| Retirement benefits | - | (287,000) | **(287,000)** | (281,000) | **6,000** | |
| Depreciation and amortisation | (25,650,343) | (1,577,677) | **(27,228,020)** | (25,978,105) | **1,249,915** | h |
| Impairment loss/ Reversal of impairments | - | (1,303,000) | **(1,303,000)** | (1,294,091) | **8,909** | |
| Finance costs | (1,304,780) | - | **(1,304,780)** | (1,127,002) | **177,778** | |
| Lease rentals on operating lease | (2,627,777) | 343,089 | **(2,284,688)** | (2,132,446) | **152,242** | |
| Debt Impairment | (8,306,080) | (921,715) | **(9,227,795)** | (8,474,216) | **753,579** | i |
| Landfill Rehabilitation | - | - | **-** | 202,005 | **202,005** | |
| General Expenses | (68,500,180) | (10,746,071) | **(79,246,251)** | (71,162,738) | **8,083,513** | j |
| **Total expenditure** | **(211,893,901)** | **(21,208,209)** | **(233,102,110)** | **(218,903,412)** | **14,198,698** | |
| **Operating surplus** | **21,995,724** | **18,584,528** | **40,580,252** | **60,734,516** | **20,154,264** | |
| Loss on disposal of assets and liabilities | - | - | **-** | (255,350) | **(255,350)** | |
| Actuarial gains/losses | - | - | **-** | (976,000) | **(976,000)** | |

# Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| | **-** | **-** | **-** | **(1,231,350)** | **(1,231,350)** | |
| **Surplus after gains/losses** | **21,995,724** | **18,584,528** | **40,580,252** | **59,503,166** | **18,922,914** | |
| **Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement** | **21,995,724** | **18,584,528** | **40,580,252** | **59,503,166** | **18,922,914** | |

**Significant increase/decrease is explained below**;
a) Interest on outstanding debtors- The overperformance of this line item is due to increase in gross debtors balance as result of non-payments by debtors.

b) Other income -Included in other income are the unclaimed monies (for a period of 3 years) recognised as revenue , hall deposits and unknown deposits.

c) Interest income - The decrease in repo rate led to the lower interest rates offered by financial institutions.

d) Property rates - There are some properties that had change in category and market values.

e) Property rates - penalties imposed -The over-performance of this line item is due to increase in gross debtors balance as result of non-payments by debtors.

f) Public contributions and donations- The Municipality received donations from government departments which could not be budgeted for.

g) Employee related costs - The Municipality had unfilled positions(including Director Technical Services and the Chief Financial Officer) this resulted in savings on the salary budget.

h) Depreciation and amortisation - The Municipality revised the remaining useful lives of the asset this resulted in less depreciation charge.

i) Debt impairment - The Municipality changed the rate which is used for impairment of government debt from 25% to 15% due to increase in government account with credit balance.

j) General Expenses - The Municipality implemented cost containment measures by limiting expenditure on non-essential items.

# Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Position** | | | | | | |
| **Assets** | | | | | | |
| Capital Budget | 40,846,000 | 15,534,064 | **56,380,064** | 50,758,596 | **(5,621,468)** | |

# 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.

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.

### 1.1 Presentation currency

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

### 1.2 Going concern assumption

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

### 1.3 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.

Some assets are commonly described as “infrastructure assets”. While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics:

a) they are part of a system or network;
(b) they are specialised in nature and do not have alternative uses;
(c) they are immovable; and
(d) they may be subject to constraints on disposal.

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.

## Accounting Policies

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

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

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

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

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

Major spare parts and stand by equipment which are expected to be used for more than one accounting period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

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

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

| Item | Depreciation method | Average useful life (Years) |
|---|---|---|
| Buildings | Straight-line | 30 |
| Plant and machinery | Straight-line | 3-5 |
| Motor vehicles | Straight-line | 7-10 |
| Office equipment | Straight-line | 3-10 |
| IT equipment | Straight-line | 3-10 |
| Infrastructure | Straight line | |
| • Roads - Gravel | Straight line | 3 - 10 |
| • Roads - Tar | Straight line | 10 - 15 |
| • Paving | Straight line | 5 - 30 |
| Community | Straight line | |
| • Solid waste disposal | Straight line | 5 - 25 |
| • Community Assets | Straight line | 5 - 30 |
| leased Assets | Straight-line | 3-5 |

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

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

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

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

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

### 1.3 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 (see note 3).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

### 1.4 Intangible assets

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

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

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

### 1.4 Intangible assets (continued)

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

Intangible assets are derecognised:
- 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 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).

### 1.5 Heritage assets

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

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

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

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

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 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 non-cash-generating asset is the present value of the asset’s remaining service potential.

**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.

### 1.5 Heritage assets (continued)

**Initial measurement**

Heritage assets are measured at cost.

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

**Subsequent measurement**

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

**Impairment**

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

**Transfers**

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

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

**Derecognition**

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

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

### 1.6 Financial instruments

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

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

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

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

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

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

# Accounting Policies

### 1.6 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

- equity instruments or similar forms of 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.

### 1.6 Financial instruments (continued)

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.

**Initial recognition**

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

The entity recognises financial assets using trade date accounting.

**Initial measurement of financial assets and financial liabilities**

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

The entity measures a financial asset and financial liability initially at its fair value.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions, where it is the recipient of the loan.

**Subsequent measurement of financial assets and financial liabilities**

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

**Fair value measurement considerations**

**Reclassification**

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

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

# Accounting Policies

### 1.6 Financial instruments (continued)

**Impairment and uncollectibility of financial assets**

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Financial assets measured at cost:

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

**Derecognition**

**Financial assets**

The entity derecognises financial assets using trade date accounting.

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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

## Accounting Policies

### 1.6 Financial instruments (continued)

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

**Financial liabilities**

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

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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

**Presentation**

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

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

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

### 1.7 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.

## Accounting Policies

### 1.7 Leases (continued)

**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 10.25% .

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

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

**Operating leases - lessor**

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

**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.

### 1.8 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

# Accounting Policies

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

**Identification**

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

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

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

**Value in use**

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

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

**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.

### 1.9 Tax

**Value AddedTax**

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value Added Tax Act No 89 of 1991.

### 1.10 Employee benefits

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

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

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

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

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

## Accounting Policies

**1.10 Employee benefits (continued)**

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

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

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

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

**Short-term employee benefits**

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

**Post-employment benefits**

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

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

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

### 1.10 Employee benefits (continued)

**Multi-employer plans**

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.

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

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

**Actuarial assumptions**

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

# Accounting Policies

**1.10 Employee benefits (continued)**

**Long service awards**

The municipality offers long service award/bonus to an employee that has completed the following periods:

5 years service = 5 days
10 years service = 10 days
15 years service = 20 days
20-45 years service = 30 days

The employees may elect to either take or encash the days, the encashment or taking of the leave must take place in the same year that employee qualifies for the recognition/long service leave

Based on previous experience, employees elect encashment of the days over taking leave days

An employee that has 5 or more years service with the municipality and leaves the the service of the municipality for any reason whatsoever, excluding reasons relating to misconduct, shall receive a pro rata long service bonus for any uncompleted period stipulated above.

**1.11 Provisions and contingencies**

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

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

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

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

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

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

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

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

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

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

# Accounting Policies

### 1.11 Provisions and contingencies (continued)

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgments. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

# Accounting Policies

### 1.11 Provisions and contingencies (continued)

**Landfill Rehabilitation Provision**

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the provision is based on the expected future cost to rehabilitate of the landfill site.

The municipality has an obligation to rehabilitate these landfill sites. The cost of such property includes the initial estimate of the cost of rehabilitating the land and restoring the site on which it is located, the obligation which the municipality incurs as a consequence of having used the property during a particular year for landfill purposes. The municipality estimates the useful lives and makes assumption to the useful lives of these assets, which influences the provision for future costs.

The asset is measured using the cost model :
a) subject to (b), changes in the liability are added to, deducted from, the cost of the related assets in the current period;
b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
c) if the adjustment results in an addition to the cost of an asset, the economic entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. if it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

### 1.12 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Salary commitments relating to employment contracts are excluded. Commitments are disclosed inclusive of VAT

### 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.

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

**Measurement**

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

# Accounting Policies

### 1.13 Revenue from exchange transactions (continued)

**Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

**Interest**

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

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

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

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

### 1.14 Revenue from non-exchange transactions

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

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

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

Exchange transactions are transactions in which one 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.

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

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

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

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

**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.

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

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

**Fines (IGRAP 1)**

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.

### 1.15 Rates and taxes

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

## Accounting Policies

### 1.16 Government grants and receipts

Unconditional Grants

Equitable share allocations are recognised in revenue as and when the allocation is received

Conditional Grants

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

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

### 1.17 Investment income

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

### 1.18 Accounting by principals and agents

**Identification**

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

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

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

**Identifying whether an entity is a principal or an agent**

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

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

**Binding arrangement**

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

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

# Accounting Policies

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

**Assessing which entity benefits from the transactions with third parties**

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

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

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that 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.

### 1.19 Comparative figures

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

### 1.20 Unauthorised expenditure

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

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

### 1.21 Fruitless and wasteful expenditure

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

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

### 1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is;
(a) expenditure incurred by the Municipality or Municipal entity incontravention of, or that is not in accordance with, requirement of this act, and which has not been condoned in terms of section 170.
(b) expenditure incurred by a municipality or municipal entity incontravention of, or that is not in accordance with, requirement of the Municipal System Act, and which has not been condoned in terms of that Act.

## Accounting Policies

### 1.22 Irregular expenditure (continued)

(c) expenditure incurred by a municipality incontravention of, or that is not in accordance with, a requirement of the Public Office - Berears Act, 1998 (Act No. 20 of 1998)

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

### 1.23 Budget information

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

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

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

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

The 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.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### 1.24 Related parties

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

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.

Only transactions with related parties not at arm's length or not in the ordinary course of business 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).

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

# Accounting Policies

### 1.25 Events after reporting date (continued)

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

### 1.26 Significant judgements and sources of estimation uncertainty

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

**Impairment testing**

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.

**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

**Allowance for doubtful debts**

The Municipality’s management in exercising reasonable judgement in determining the provision for doubtful debt has considered GRAP 104, the assessment of the debtors and taking into account the risk factors presented by the debtors (type of debtor, amounts owing, payments history, economic indicators).
Changes to the assumptions used are accounted for as a change in accounting estimates in terms of GRAP 3.

**Review of useful lives of property, plant and equipment and intangible assets**

The useful lives of assets are based on management’s estimation. Management considers whether there is any indication that expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. These include changes in the composition, condition and nature of the asset, its susceptibility and adaptability to changes in technology and processes, the nature of the processes and environment in which the asset is deployed, availability of funding to replace the asset and changes in the market in relation to the asset, as well as planned repairs and maintenance including refurbishmentst.

**Trade receivables / Held to maturity investments and/or loans and receivables.**

The municipality assesses its trade receivables, held to maturity investments and loans and 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.

**Employee Benefits**

The present value of the long service award 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 long service award.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.
Other key assumptions for LSA obligations are based on current market conditions. Additional information is disclosed in Note 6.

### 1.27 Statutory receivables

**Identification**

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

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

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

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

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

**Recognition**

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

**Initial measurement**

The municipality initially measures statutory receivables at their transaction amount.

**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.

**Impairment losses**

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

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

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

## Accounting Policies

### 1.27 Statutory receivables (continued)

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.

### 1.28 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 Off setting

Assets and liabilities, revenue and expenses should not be offset; these items should be reported separately. Offsetting is permitted only if it is required or permitted by other standards of GRAP (GRAP 25) , Legislation or where offsetting reflects the substance of the transaction or the event

### 2. New standards and interpretations

### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 1 July, 2021 or later periods:

| **Standard/ Interpretation:** | **Effective date: Years beginning on or after** | **Expected impact:** |
|---|---|---|
| • GRAP 104 (amended): Financial Instruments | 1 April, 2021 | Impact is currently being assessed |
| • Directive 7 (revised): The Application of Deemed Cost | 1 April, 2021 | Impact is currently being assessed |

# Notes to the Annual Financial Statements

Figures in Rand

### 3. 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 | 11,675,709 | - | 11,675,709 | 11,675,709 | - | 11,675,709 |
| Buildings | 243,848,262 | (44,335,171) | 199,513,091 | 218,745,008 | (35,672,642) | 183,072,366 |
| Plant and machinery | 10,345,940 | (4,826,641) | 5,519,299 | 8,029,050 | (4,009,501) | 4,019,549 |
| Motor vehicles | 47,928,887 | (35,528,946) | 12,399,941 | 44,553,940 | (30,738,904) | 13,815,036 |
| Office equipment | 7,498,496 | (4,125,580) | 3,372,916 | 5,285,520 | (3,544,859) | 1,740,661 |
| IT equipment | 4,448,271 | (2,945,418) | 1,502,853 | 3,892,384 | (2,581,897) | 1,310,487 |
| Infrastructure | 258,747,818 | (69,902,575) | 188,845,243 | 236,485,536 | (58,733,826) | 177,751,710 |
| Community | 9,173,020 | (8,450,529) | 722,491 | 9,273,505 | (8,459,355) | 814,150 |
| **Total** | **593,666,403** | **(170,114,860)** | **423,551,543** | **537,940,652** | **(143,740,984)** | **394,199,668** |

# Notes to the Annual Financial Statements

Figures in Rand

**3. Property, plant and equipment (continued)**

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

| | Opening balance | Additions | Additions (Work in progress) | Disposals | Transfers | Fair value donations | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|---|---|
| Land | 11,675,709 | - | - | - | - | - | - | - | 11,675,709 |
| Buildings | 183,072,366 | 467,167 | 19,353,188 | (154,335) | (728,473) | 6,261,740 | (7,464,471) | (1,294,091) | 199,513,091 |
| Plant and machinery | 4,019,549 | 692,066 | 1,452,973 | (43,529) | 291,406 | 117,686 | (1,010,852) | - | 5,519,299 |
| Motor vehicles | 13,815,036 | 3,374,948 | - | - | - | - | (4,790,043) | - | 12,399,941 |
| Office equipment | 1,740,661 | 2,379,442 | - | (15,357) | - | - | (731,830) | - | 3,372,916 |
| IT equipment | 1,310,487 | 643,813 | - | (11,036) | - | - | (440,411) | - | 1,502,853 |
| Infrastructure | 177,751,710 | - | 22,262,283 | - | - | - | (11,168,750) | - | 188,845,243 |
| Community | 814,150 | - | - | (31,093) | - | - | (60,566) | - | 722,491 |
| | **394,199,668** | **7,557,436** | **43,068,444** | **(255,350)** | **(437,067)** | **6,379,426** | **(25,666,923)** | **(1,294,091)** | **423,551,543** |

## Notes to the Annual Financial Statements

Figures in Rand

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

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

| | Opening balance | Additions | Additions (Work in progress) | Disposals | Fair Value adjustments | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|---|
| Land | 11,752,934 | - | - | (97,225) | 20,000 | - | - | 11,675,709 |
| Buildings | 181,304,606 | 24,100 | 8,459,120 | - | - | (6,511,682) | (203,778) | 183,072,366 |
| Plant and machinery | 4,946,101 | 230,357 | - | (17,852) | - | (1,139,057) | - | 4,019,549 |
| Motor vehicles | 20,167,045 | 567,480 | - | (617,146) | - | (6,302,343) | - | 13,815,036 |
| Office equipment | 2,395,340 | - | - | (2,759) | - | (651,920) | - | 1,740,661 |
| IT equipment | 1,957,623 | 130,908 | - | (26,603) | - | (751,441) | - | 1,310,487 |
| Infrastructure | 165,885,863 | - | 20,679,593 | - | - | (8,813,746) | - | 177,751,710 |
| Community | 874,717 | 2,422,590 | - | - | - | (60,567) | (2,422,590) | 814,150 |
| | **389,284,229** | **3,375,435** | **29,138,713** | **(761,585)** | **20,000** | **(24,230,756)** | **(2,626,368)** | **394,199,668** |

**Pledged as security assets**

Carrying value of assets pledged as security:

| | | |
|---|---|---|
| Motor Vehicle | 5,770,701 | 9,411,764 |

**Donations**

The Municipality received the following donation with the fair value of R 6 379 426 in 2021

Nhlahleni community hall from the Department of Human Settlement with a fair value of R 4 577 494.
Dukuza sportsground from the Department of Sports with a fair value of R 1 684 247.
RFID machine from the Department of Arts and Culture with a fair value of R 117 686.

| Figures in Rand | 2021 | 2020 |
|---|---|---|

**3. Property, plant and equipment (continued)**

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

| | | |
|---|---|---|
| Bergville Vehicle Testing Pit | 1,851,713 | 1,851,713 |
| Bergville athletic track | 1,624,841 | 1,624,841 |
| Bergville CSC tuckshop | 1,555,405 | 1,555,405 |
| | **5,031,959** | **5,031,959** |

There were no movements in the above projects in the 2020/2021 financial year.

The projects have not been completed due to unavailability of funding, the municipality is engaging potential funders in an attempt to source funding to complete these projects.

**Reconciliation of Work-in-Progress 2021**

| | Included within Buildings | Included within Infrastructure | Included within Other PPE | Total |
|---|---|---|---|---|
| Opening balance | 7,568,612 | 5,755,557 | - | 13,324,169 |
| Additions/capital expenditure | 19,353,188 | 22,262,283 | 1,452,974 | 43,068,445 |
| Transferred to completed projects | (1,183,869) | (4,672,000) | - | (5,855,869) |
| | **25,737,931** | **23,345,840** | **1,452,974** | **50,536,745** |

**Reconciliation of Work-in-Progress 2020**

| | Included within Buildings | Included within Included within Infrastructure | Total |
|---|---|---|---|
| Opening balance | 35,325,567 | 23,514,312 | 58,839,879 |
| Additions/capital expenditure | 8,459,120 | 20,679,592 | 29,138,712 |
| Transferred to completed projects | (36,216,075) | (38,438,347) | (74,654,422) |
| | **7,568,612** | **5,755,557** | **13,324,169** |

| Figures in Rand | 2021 | 2020 |
|---|---|---|

**3. Property, plant and equipment (continued)**

**Expenditure incurred to repair and maintain property, plant and equipment**

| **Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance** | | |
|---|---|---|
| Amount paid to employees | 5,824,057 | 4,554,734 |
| Amount paid to suppliers | 4,007,970 | 3,517,443 |
| Materials | 3,657,107 | 939,170 |
| Fuel and Oil | 3,289,236 | 2,896,969 |
| | **16,778,370** | **11,908,316** |

Repairs and Maintenance on Property, Plant and Equipment is detailed as follows:

Amount paid suppliers R 4 007 970 (2020: R 3 517 443), is included in general expenses (note 24) as sub-contracting services in the Statement of Financial Performance.

Employee related cost is the amount incurred on employees R 5 824 057 (2020: R 4 554 734), included in the employee related cost in the Statement of Financial Performance.

Materials amounting to R 3 657 107 (2020: 939 170 ) are included in the general expenses (note 24) as consumables in the Statement of Financial Performance. Included in materials is joint pipes, culverts and precast wall wings used in the maintenance of roads and infrastructure.

Fuel and oil amounting to R 3 289 236 (2020: 2 896 969) is included in general expenses (note 24) in the statement of Financial position.

# Notes to the Annual Financial Statements

Figures in Rand

### 4. 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 | 2,752,812 | (1,376,073) | 1,376,739 | 3,080,914 | (1,962,777) | 1,118,137 |

**Reconciliation of intangible assets -2021**

| | Opening balance | Additions | Transfers | Amortisation | Total |
|---|---|---|---|---|---|
| Computer software, other | 1,118,137 | 132,716 | 437,068 | (311,182) | 1,376,739 |

**Reconciliation of intangible assets - 2020**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software, other | 734,600 | 814,641 | (431,104) | 1,118,137 |

### 5. Heritage assets

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Art Collections, antiquities and exhibits | 93,660 | - | 93,660 | 93,660 | - | 93,660 |

**Reconciliation of heritage assets 2021**

### 5. Heritage assets (continued)

| | Opening balance | Total |
|---|---|---|
| Art Collections, antiquities and exhibits | 93,660 | 93,660 |

**Reconciliation of heritage assets 2020**

| | Opening balance | Fair value donations | Total |
|---|---|---|---|
| Art Collections, antiquities and exhibits | - | 93,660 | 93,660 |

**Donations**

The Municipality received a donation in a form of art collection from the KZN Department of Arts and Culture with the fair value of R 93 660 in 2020. The fair value of was determined by a member of the International Fine Art and Antiques Appraiser Association Fellow (IFAAAA Fellow).

### 6. Employee benefit obligations

**Defined benefit plan**

**Post retirement pension plan**

The Municipality's personnel are members of one of the Natal Joint Municipal Pension (NJMPF) retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi- employer funds, the allocation of any surplus/ deficit to individual municipalities cannot be determined.

Furthermore, disclosure of further details such as actuarial assumptions cannot be attributed to any specific municipality and is of no relevance to the users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

An independent valuer carries out statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2021 interim valuations have not been released.

**Superannuation funds**

The latest statutory valuation of the Superannuation Fund (defined benefit) as at 31 March 2017 concluded that:

The Fund's liabilities for service to the valuation date was 100% (2017: 100 %) funded on the discounted cash flow method

At the valuation date:

The fund is 100% funded on the "best estimate" funding basis as at the valuation date, and is also not fully funded on the "financial soundness" basis incorporating the full solvency reserve.

There was no deficit in respect of active members. A surcharge of 9.5% of pensionable salaries is payable.

**Retirement Funds**

The latest statutory valuation of the Retirement Fund (defined benefit) as at 31 March 2017 reflected:.

The memorandum account in respect of pensioners was 95.3% funded.

Based on the valuation assumption applied in 2016, the Fund was fully funded, however based on the revised assumptions the funds liabilities for the contributory members exceeded the value of the assets and the extension of the surcharge for another 5 years would be necessary to return the funding to 100%.

The statutory actuarial valuation carried out on the retirement fund as at 31 March 2017 reflected:

The fund is 100% (2016: 93.8%) funded as at the valuation date at the overall level. A number of members is steadily reducing, due to members electing to transfer to one of other Natal Joint Funds or external funds. A recommendation is the current surcharge of 21.65% of pensionable salaries continue to be paid in order to build up the Solvency Reserve to the full theoretical level.

**Provident Fund**

The latest statutory valuation of the Provident Fund was performed as at 31 March 2017.

**Long Service Awards**

The independent valuers carried out a statutory valuation on the Long Service Awards benefit as at 30 June 2021.

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|---|---|---|

### 6. Employee benefit obligations (continued)

The principal actuarial assumptions used were as follows:

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

| | | |
|---|---|---|
| **Carrying value** | | |
| Opening balance | (3,146,059) | (3,697,128) |
| Past service cost | - | (30,000) |
| Interest cost | (281,000) | (287,000) |
| Expected employee benefit payment/current service cost | (390,000) | (491,000) |
| Actuarial gain/(loss) | (976,000) | 1,192,000 |
| Less municipality paid benefits | 202,078 | 167,069 |
| | **(4,590,981)** | **(3,146,059)** |

| | | |
|---|---|---|
| Non-current liabilities | (4,114,981) | (3,033,059) |
| Current liabilities | (476,000) | (113,000) |
| | **(4,590,981)** | **(3,146,059)** |

| | | |
|---|---|---|
| Active members | 202 | 188 |

**Summary of key economic assumptions(p.a.)**

| | | |
|---|---|---|
| Discount rate | 8.90 % | 8.90 % |
| Salary inflation | 7.20 % | 5.80 % |
| Net discount rate | 1.59 % | 2.93 % |
| | **-** | **-** |

**Net expense recognised in the statement of financial performance**

| | | |
|---|---|---|
| Past service cost | - | 30,000 |
| Interest cost | 281,000 | 287,000 |
| Expected employee benefit payment/current service cost | 390,000 | 491,000 |
| (Actuarial gain)/ loss | 976,000 | (1,192,000) |
| | **1,647,000** | **(384,000)** |

### 7. Operating lease receivable

| | | |
|---|---|---|
| Current assets | 56,134 | - |

| | | |
|---|---|---|
| **PV of minimum lease payments** | | |
| -Within one year | 521,402 | - |
| - in second to fifth year | 1,459,193 | - |
| | **1,980,595** | **-** |

The Municipality entered into an operating lease agreement for a period of 5 years with SASSA, leasing out office space in Dukuza Thusong and Community Service Centre and a monthly rental income is accounted for in the Statement of Financial Performance . The average lease term is 5 years with 6% escalation.

The Municipality entered into an operating lease agreement for a period of 5 years with IEC, leasing out office space in Community Service Centre and a monthly rental income is accounted for in the Statement of Financial Performance . The average lease term is 5 years with 0% escalation. The rental is fixed for the duration of the contract.

# Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|---|---|---|

### 8. Receivables from exchange transactions

| | | |
|---|---|---|
| Prepayments (landfill site lease & Maintenance Plan) - Current | 651,444 | 277,778 |
| Accrued interest | 94,743 | 213,392 |
| Prepayment- (landfill site lease & Maintenance Plan) Non-Current | 1,791,778 | 1,388,889 |
| | **2,537,965** | **1,880,059** |

| | | |
|---|---|---|
| Non-current assets | 1,791,778 | 1,388,889 |
| Current assets | 746,187 | 491,170 |
| | **2,537,965** | **1,880,059** |

### 9. Receivables from non-exchange transactions

| | | |
|---|---|---|
| Fines | 904,289 | 884,634 |
| Sundry Debtors | 609,521 | 96,237 |
| Staff Debtors | - | 2,620 |
| | **1,513,810** | **983,491** |

**Statutory receivables included in receivables from non-exchange transactions above are as follows:**

| | | |
|---|---|---|
| Fines | 904,289 | 884,634 |

**Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:**

| | | |
|---|---|---|
| Other non-financial asset receivable | 609,521 | 98,857 |

| | | |
|---|---|---|
| **Total receivables from non-exchange transactions** | 1,513,810 | 983,491 |

| Figures in Rand | 2021 | 2020 |
|---|---|---|

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

**Statutory receivables general information**

**Transaction(s) arising from statute**

Traffic fines are issued in terms of the Administrative Adjudication of Road Traffic Offences (AARTO Act) by way of notices to offenders which specify the value of the fine that must be paid.

**Determination of transaction amount**

Schedule 3 of the AARTO Regulations 2008 for charge codes and descriptions, penalties and their discounts, and demerit points

**Statutory receivables impaired**

As of 31 June, 2021, traffic fines of R 2 297 992 (2020: R 2 030 992) were impaired and provided for.

The amount of the provision is R 1 393 704 as at 31 June, 2021 (2020: R 1 146 358).

The net balance is R 904 289 as at 30 June 2021 (2020: R 884 634).

**Factors the entity considered in assessing statutory receivables impaired**

The Municipality accounts for traffic fines impairment in accordance with IGRAP1.

The Municipality assess the average collection rate of the traffic fines over 8 years.

**Reconciliation of provision for impairment for statutory receivables**

| | | |
|---|---|---|
| Opening balance | (1,146,358) | (1,098,216) |
| Provision for impairment | (247,345) | (48,142) |
| | **(1,393,703)** | **(1,146,358)** |

### 10. Statutory receivables - VAT receivable

| | | |
|---|---|---|
| VAT | 5,394,603 | 5,053,671 |

2020/21 VAT 201's were submitted to SARS up until 30 June 2021. VAT is claimed on payment basis.

The amount disclosed is the net VAT on payables & receivables.

**Transaction(s) arising from statute**

VAT is levied in terms of Value-Added Tax Act 89 of 1991.

**Determination of transaction amount**

15% of the Vatable/Taxable supply.

**Statutory receivables impaired**

The carrying amount of the receivable amount disclosed is not impaired.

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
| --- | --- | --- |

### 11. Consumer debtors

| | | |
| --- | --- | --- |
| **Gross balances** | | |
| Rates | 42,630,229 | 38,745,824 |
| Refuse | 9,370,457 | 6,911,148 |
| Other debtors | 29,942,044 | 22,708,592 |
| | **81,942,730** | **68,365,564** |
| **Less: Allowance for impairment** | | |
| Rates | (25,643,730) | (23,408,773) |
| Refuse | (5,636,692) | (4,175,457) |
| Other debtors | (18,012,835) | (13,721,225) |
| | **(49,293,257)** | **(41,305,455)** |
| **Net balance** | | |
| Rates | 16,986,499 | 15,337,051 |
| Refuse | 3,733,765 | 2,735,691 |
| Other debtors | 11,929,209 | 8,987,367 |
| | **32,649,473** | **27,060,109** |
| **Statutory receivables included in consumer debtors above are as follows:** | | |
| Property rates | 16,986,499 | 15,337,051 |
| **Financial asset receivables included in consumer debtors above** | **15,662,974** | **11,723,058** |
| **Total consumer debtors** | 32,649,473 | 27,060,109 |
| **Included in above is receivables from exchange transactions (Gross Balance)** | | |
| Refuse | 9,370,457 | 6,911,148 |
| **Included in above is receivables from non-exchange transactions (Gross balances)** | | |
| Property rates | 42,630,230 | 38,745,824 |
| Other Debtors | 29,942,043 | 22,711,150 |
| | **72,572,273** | **61,456,974** |
| **Gross balance** | **81,942,730** | **68,368,122** |
| Property Rates | 16,986,499 | 15,337,051 |
| Refuse removal | 3,733,765 | 2,735,691 |
| Other Debtors | 11,929,209 | 8,987,367 |

| | | |
| --- | --- | --- |
| **Reconciliation of allowance for impairment** | | |
| Balance at beginning of the year | (41,305,455) | (32,392,650) |
| Contributions to allowance | (8,226,871) | (9,080,963) |
| Debt impairment written off against allowance | 239,069 | 168,158 |
| | **(49,293,257)** | **(41,305,455)** |

| Figures in Rand | 2021 | 2020 |
|---|---|---|

### 11. Consumer debtors (continued)

**Statutory receivables general information**

**Transaction(s) arising from statute**

Property rates are charged in terms of Municipal Property Rates Act.

**Determination of transaction amount**

Property rates are determined by applying cents in the Rand on the market valuation as per the Council approved tariff policy (see note 17):

**Interest or other charges levied/charged**

Interest at a fixed rate of 18% per annum (2020: 18 %) is levied on the rates outstanding one month after due date.

**Basis used to assess and test whether a statutory receivable is impaired**

Accounts with 0-90 days balance are not impaired as there is less doubt in the recoverability of the monies. This does not include unregistered land where the total debt is provided at 100%.

Significant debtors are identified and are tested for impairment individually.

Insignificant debtors are grouped as per their category (i.e. Commercial, Residential etc.) and tested for impairment as a group.

**Reconciliation of provision for impairment**

| | 2021 | 2020 |
|---|---|---|
| **Relating specifically to Statutory Receivables** | | |
| Opening balance | (23,408,773) | (19,500,391) |
| Provision for impairment | (2,234,957) | (3,908,382) |
| | **(25,643,730)** | **(23,408,773)** |

**Receivables past due but not impaired**

**Relating specifically to Statutory Receivables**

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 31 June, 2021, R 1 742 563 (2020: R 2 301 848) were past due but not impaired.

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

| | 2021 | 2020 |
|---|---|---|
| Amount not past due or impaired | 2,217,326 | 1,947,963 |
| Amount past due but not impaired | 1,742,563 | 2,301,848 |
| Amount past due and impaired | 34,182,888 | 33,002,241 |

**Factors the entity considered in assessing statutory receivables past due but not impaired**

Aging of the debt, the collection of the long outstanding debtors is always in doubt.

The category of the debt (e.g. Business and commercial, residential).

# Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|---|---|---|

## 11. Consumer debtors (continued)

**Consumer debtors  impairment analysis**

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 31 June, 2021, R 3 542 508 (2020: R 3 703 394) were past due but not impaired.

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

| | | |
|---|---|---|
| Amount not past due or impaired | 3,095,141 | 3,004,670 |
| Amount past due but not impaired | 3,542,508 | 3,703,394 |
| Amount past due and impaired | 75,307,639 | 61,660,094 |

**Consumer debtors impaired**

As of 30 June, 2021, consumer debtors of R 75 307 639 (2020: 61 660 094) were impaired and provided for.

The amount of the provision was R 49 293 257  as of 30 June, 2021 (2020: R 41 305 455).

## 12. Consumer debtors disclosure

| | | |
|---|---|---|
| **Gross balances** | | |
| Organ of the State | 20,351,162 | 17,218,213 |
| Commercial | 8,941,273 | 7,426,274 |
| Households | 19,470,501 | 17,570,219 |
| Other | 33,182,352 | 26,153,453 |
| | **81,945,288** | **68,368,159** |
| **Less: Allowance for impairment** | | |
| Organ of the State | (2,839,476) | (4,011,547) |
| Commercial | (1,810,724) | (1,438,588) |
| Households | (15,461,349) | (13,417,576) |
| Other | (29,181,707) | (22,437,744) |
| | **(49,293,256)** | **(41,305,455)** |
| **Net balance** | | |
| Organ of the State | 17,511,686 | 13,206,666 |
| Commercial | 7,130,549 | 5,987,686 |
| Households | 4,009,152 | 4,152,643 |
| Other | 4,000,645 | 3,715,709 |
| | **32,652,032** | **27,062,704** |
| **Organ Of State** | | |
| Current (0 -30 days) | 501,566 | 399,507 |
| 31 - 60 days | 464,713 | 389,623 |
| 61 - 90 days | 455,043 | 382,895 |
| 91 - 120 days | 458,129 | 383,762 |
| 121 - 150 days | 450,202 | 372,229 |
| > 150 days | 18,021,508 | 15,290,198 |
| | **20,351,161** | **17,218,214** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|---|---|---|

### 12. Consumer debtors disclosure (continued)

| **Commercial** | | |
|---|---|---|
| Current (0 -30 days) | 958,376 | 851,537 |
| 31 - 60 days | 412,282 | 439,917 |
| 61 - 90 days | 327,717 | 380,466 |
| 91 - 120 days | 354,321 | 344,596 |
| 121 - 150 days | 297,265 | 258,614 |
| > 150 days | 6,591,312 | 5,151,143 |
| | **8,941,273** | **7,426,273** |

| **Household** | | |
|---|---|---|
| Current (0 -30 days) | 645,313 | 815,264 |
| 31 - 60 days | 525,278 | 622,848 |
| 61 - 90 days | 489,735 | 563,976 |
| 91 - 120 days | 475,732 | 500,839 |
| 121 - 150 days | 458,510 | 500,384 |
| > 150 days | 16,875,934 | 14,566,908 |
| | **19,470,502** | **17,570,219** |

| **Other** | | |
|---|---|---|
| Current (0 -30 days) | 1,198,673 | 1,145,822 |
| 31 - 60 days | 759,465 | 697,779 |
| 61 - 90 days | 625,713 | 603,026 |
| 91 - 120 days | 674,589 | 583,676 |
| 121 - 150 days | 576,269 | 545,175 |
| > 150 days | 29,347,643 | 22,577,975 |
| | **33,182,352** | **26,153,453** |

Included in Other is Agricultural, Industrial,Tourism, Privately Developed Estates properties, unregistered land.

Credit balances R 4 700 780. (2020: R 1 588 905) have been added back to debtors and have been included in payables from exchange transactions note 17.

### 13. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Cash on hand | 6,200 | 6,200 |
| Bank balances | 39,737,391 | 27,725,656 |
| Short-term deposits | 31,381,853 | 29,998,474 |
| | **71,125,444** | **57,730,330** |

Included in the balance of Bank and Cash is the amount of unspent funds received for the RDP houses on behalf of beneficiaries. The amount is R 441 794 (2020: R 3 734 767). The corresponding liability has been appropriately disclosed as part of unspent government grants. Refer to note 15.

| Figures in Rand | 2021 | 2020 |
|---|---|---|

### 13. Cash and cash equivalents (continued)

**The municipality had the following bank accounts**

| Account number / description | Bank statement balances | | Cash book balances | |
|---|---|---|---|---|
| | 30 June, 2021 | 30 June, 2020 | 30 June, 2021 | 30 June, 2020 |
| Nedbank03/7881154969/000001 : Fixed Deposits | 5,553,802 | 5,199,295 | 5,553,802 | 5,199,295 |
| First National Bank: 51660362710 Cheque Account | 39,737,391 | 27,725,656 | 39,737,391 | 27,725,656 |
| First National Bank: 62752942063:Cheque Account | 729,449 | 621,522 | 729,449 | 621,522 |
| First National Bank: 74484485427 Fixed Deposit | 4,715,175 | 4,547,419 | 4,715,175 | 4,547,419 |
| Absa Bank: 2074514859: Fixed Deposit | 15,813,537 | 15,211,391 | 15,813,537 | 15,211,391 |
| Investec : 1100463208500 | 4,569,891 | 4,418,848 | 4,569,891 | 4,418,848 |
| **Total** | **71,119,245** | **57,724,131** | **71,119,245** | **57,724,131** |

### 14. Finance lease obligation

| | 2021 | 2020 |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 5,265,545 | 5,265,549 |
| - in second to fifth year inclusive | 5,410,093 | 10,675,638 |
| | 10,675,638 | 15,941,187 |
| less: future finance charges | (839,466) | (1,940,903) |
| **Present value of minimum lease payments** | **9,836,172** | **14,000,284** |
| | | |
| **Present value of minimum lease payments due** | | |
| - within one year | 4,825,844 | 4,578,817 |
| - in second to fifth year inclusive | 5,010,328 | 9,421,467 |
| | **9,836,172** | **14,000,284** |
| | | |
| Non-current liabilities | 5,010,331 | 9,421,470 |
| Current liabilities | 4,825,845 | 4,578,814 |
| | **9,836,176** | **14,000,284** |

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 10.25% (2020: 10.25%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

# Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
| --- | --- | --- |

## 15. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

| | | |
| --- | --- | --- |
| **Unspent conditional grants and receipts** | | |
| Human Settlements Housing Grant | 441,794 | 3,734,766 |
| Fresh Produce Market Grant | - | 81,474 |
| Housing Projects Grant | 9,900,153 | 9,900,153 |
| Extravaganza Grant | 6,950 | 6,500,000 |
| Disaster Relief Grant | - | 628,910 |
| Smart Centre Grant | - | 8,912,064 |
| Local Government Sectorial Education and Training Authority Grant | 27,214 | 8,215 |
| Small Town Rehabilitation Grant | - | 64,441 |
| Building Plans System Grant | - | 46,503 |
| | **10,376,111** | **29,876,526** |

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

See note 20 for reconciliation of grants from National/Provincial Government.

## 16. Provisions

**Reconciliation of provisions - 2021**

| | Opening Balance | Additions | Payments | Reversed during the year | Total |
|---|---|---|---|---|---|
| Environmental rehabilitation | 9,464,423 | - | - | (202,005) | 9,262,418 |
| Legal proceedings | - | 750,859 | - | - | 750,859 |
| Performance Bonuses | 720,011 | 487,428 | (487,428) | (232,583) | 487,428 |
| | **10,184,434** | **1,238,287** | **(487,428)** | **(434,588)** | **10,500,705** |

**Reconciliation of provisions - 2020**

| | Opening Balance | Additions | Payments | Increase in Future value | Total |
|---|---|---|---|---|---|
| Environmental rehabilitation | 7,041,833 | - | - | 2,422,590 | 9,464,423 |
| Performance bonuses | 542,124 | 720,011 | (542,124) | - | 720,011 |
| | **7,583,957** | **720,011** | **(542,124)** | **2,422,590** | **10,184,434** |

| | 2021 | 2020 |
|---|---|---|
| Non-current liabilities | - | - |
| Current liabilities | 10,500,705 | 10,184,434 |
| | **10,500,705** | **10,184,434** |

The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate the landfill site used for waste disposal.

Balance of the provision for landfill site rehabilitation R 9 262 418 (2020: R 9 464 423).

Decrease in the landfill site rehabilitation provision is R 202 005 (2020: 2 422 590 increase).

The Municipality expects to rehabilitate the landfill site in the 2021/22 financial year.

The provision for performance bonuses relates to the constructive obligation on payment of performance bonuses for Section 57 employees in previous financial years.

The Municipality has been paying a performance up 14% of the total remuneration.

The position for Director Technical Services and the Chief Financial Officer were vacant as at 30 June 2021, this led to the decrease in provision.

The payment of performance bonuses is expected to be made in 2021/2022 after the approval by Council.

No reimbursements are expected on the provisions.

The provision for legal proceeding relates to a court order to pay S Mlambo and others, the Municipality has made a payment of R 494 645 as instructed by the court order, the amount serves as a security pending a review application.

The provision for legal proceeding relates to the labour court case between BS Mabuya and the Municipality , the Municipality has raised a provision R 108 789 as instructed by the court order dated 27 July 2021.

The provision for legal proceeding relates to the bargaining council case between G Kubheka and the Municipality , the Municipality has raised a provision R 147 425 as instructed by the order dated 30 August 2021.

# Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|---|---|---|

### 17. Payables from exchange transactions

| | | |
|---|---|---|
| Trade payables | 14,305,069 | 7,161,371 |
| Payments received in advanced | 4,700,780 | 1,588,905 |
| Retention | 12,936,694 | 10,774,659 |
| Leave pay accrual | 8,369,680 | 7,394,308 |
| Unallocated Receipts | 514,119 | 1,651,320 |
| Sundry Payables | 2,899,002 | 2,904,347 |
| 13th Cheque Accrual | 2,479,395 | 2,149,418 |
| | **46,204,739** | **33,624,328** |

Included in the sundry payable is an amount of R 2 873 997 (2020: R 2 873 997) that arise due to the introduction of GRAP 109, these amounts relate to VAT input claimed before the GRAP standard was effective since the municipality is acting as an agent on INEP grants.

| Figures in Rand | 2021 | 2020 |
|---|---|---|

## 18. Property rates

**Rates received**

| | | |
|---|---|---|
| Residential | 9,224,135 | 9,216,654 |
| Commercial | 3,247,471 | 3,247,471 |
| State | 6,289,338 | 5,630,589 |
| Municipal | 743,015 | 734,499 |
| Small holdings and farms | 8,015,863 | 7,949,974 |
| Communal Land | 5,959,132 | 5,397,142 |
| Other properties | 22,349,231 | 19,106,556 |
| Less: Income forgone | (25,367,338) | (21,333,129) |
| | 30,460,847 | 29,949,756 |
| Property rates - penalties imposed | 6,861,996 | 5,810,914 |
| | **37,322,843** | **35,760,670** |

**Valuations**

| | | |
|---|---|---|
| Residential | 1,003,670,000 | 1,007,720,000 |
| Commercial | 353,370,000 | 353,370,000 |
| State | 688,080,000 | 689,380,000 |
| Municipal | 80,850,000 | 80,850,000 |
| Small holdings and farms | 3,492,179,000 | 3,495,168,000 |
| Communal Land | 648,436,000 | 648,436,000 |
| Other | 1,681,783,401 | 1,683,183,401 |
| | **7,948,368,401** | **7,958,107,401** |

Valuations on properties are performed every 5 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.Interim valuations have been received for the 2020/21 financial year.

Assessments rates are determined by applying the following cents in the Rand on the market valuation:

| | | |
|---|---|---|
| Agriculture properties used for agriculture purposes | 0.00230 | 0.00230 |
| Business and commercial properties | 0.00919 | 0.00919 |
| Industrial properties | 0.00919 | 0.00919 |
| Municipal properties, land reform, informal settlements, public worship | 0.00919 | 0.00919 |
| Public service infrastructure and public benefit organisation | 0.00919 | 0.00919 |
| Residential purpose and State | 0.00919 | 0.00919 |
| Communal land, Privately developed, Tourism and Hospitality | 0.00919 | 0.00919 |
| Municipal properties binded by lease agreements | 0.00919 | 0.00919 |
| **Rebates granted to:** | | |
| Agriculture and agricultural small holdings | 20 % | 20 % |
| Place of Worship, Communal Land and Municipal properties | 100 % | 100 % |
| Privately developed estates | 20 % | 20 % |
| Public service infrastructure | 100 % | 100 % |
| Residential small holdings and rural residential | 20 % | 20 % |
| Tourism and hospitality | 20 % | 20 % |

A rebate is granted in terms of the Municipal Property Rates Act on the first R15 000 of the market value of all residential properties . Public Service Infrastructure are permitted a 100% impermissible exemption.

An additional rebate is allowed on the next R85 000 of all properties within a residential category. A 20% rebate is allowed for other properties based on the category of the property.

Pensioners receive a 50% rebate on application. 100% indigent rebates are offered to qualifying applicants with total household income not exceeding R 4 120 per month. A 5% discount is applicable to rates settled on calculation,application and paid in advance for a specific financial year.

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|---|---|---|

### 18. Property rates (continued)

Rates are levied on an annual basis over 12 monthly installments with the final date for payment being 31 July 2021.

Penalties at a fixed rate of 18% per annum (2020: 18 %) is levied on the rates outstanding one month after due date.

### 19. Service charges

| | | |
|---|---|---|
| Refuse removal | 2,949,554 | 2,818,776 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|---|---|---|

## 20. Government grants

| | | |
|---|---|---|
| **Operating grants** | | |
| Equitable Share | 158,017,000 | 124,946,000 |
| Financial Management Grant (FMG) | 1,900,000 | 1,900,000 |
| Extravaganza Grant | 6,493,050 | - |
| Municipal Disaster Relief Grant | 628,910 | 658,090 |
| Expanded Public Works Programme (EPWP) | 3,081,000 | 2,539,000 |
| | **170,119,960** | **130,043,090** |
| **Capital grants** | | |
| Municipal Infrastructure Grant (MIG) | 37,668,000 | 28,304,000 |
| Small Town Rehabilitation Grant | 64,441 | - |
| Smart Centres Grant | 8,912,064 | 1,087,936 |
| Market Stall Grant | - | 486,364 |
| Fresh Produce Market Grant | 81,474 | - |
| Bergville Community Service Centre Grant | - | 279,548 |
| Building Plans System Grant | 46,503 | 453,497 |
| Informal economic development grant | 3,000,000 | - |
| | **49,772,482** | **30,611,345** |
| | **219,892,442** | **160,654,435** |

**Equitable Share**

| | | |
|---|---|---|
| Current-year receipts | 158,017,000 | 124,946,000 |

In terms of the Constitution of South Africa, this grant is used to subsidise provision for basic services and for the municipality's operations.

**Finance Management Grant (FMG)**

| | | |
|---|---|---|
| Current-year receipts | 1,900,000 | 1,900,000 |
| Conditions met - transferred to revenue | (1,900,000) | (1,900,000) |
| | **-** | **-** |

This grant was used for implementation of MSCOA, physical verification of assets , Municipal Finance Management Programme and payments of finance interns. No funds were withheld.

**Department of Human Settlements grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 3,734,766 | 798,718 |
| Current-year receipts | 57,878,627 | 51,202,901 |
| Payments made | (61,171,599) | (48,266,853) |
| | **441,794** | **3,734,766** |

Conditions still to be met - remain liabilities (see note 15).

The Municipality is an agent. this grant is for housing projects, the value of the invoice for the work done by the contractor is transferred to the municipality by the Department of Human Settlement, after the contractor has submitted the claims or invoices to the department. No funds were withheld

**Informal Economic development Grant**

| Figures in Rand | 2021 | 2020 |
|---|---|---|

**20. Government grants (continued)**

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

This grant is for the construction on street hawkers. No funds were withheld.

**Fresh Produce Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 81,474 | 81,474 |
| Conditions met - transferred to revenue | (81,474) | - |
| | **-** | **81,474** |

This grant is for operations of the Fresh Produce Market. No funds were withheld.

**Municipal Infrastructure Grant (MIG)**

| | | |
|---|---|---|
| Current-year receipts | 37,668,000 | 28,304,000 |
| Conditions met - transferred to revenue | (37,668,000) | (28,304,000) |
| | - | - |

The grant is for the implementation of projects approved by MIG. No funds were withheld.

**Housing Projects**

| | | |
|---|---|---|
| Balance unspent at beginning of the year | 9,900,153 | 9,900,153 |

There are ongoing engagements between the municipality and the Department of Human Settlement in relation to the existence of this liability..

**Extravaganza**

| | | |
|---|---|---|
| Balance unspent at beginning of the year | 6,500,000 | - |
| Current-year receipts | - | 6,500,000 |
| Conditions met - transferred to revenue | (6,493,050) | - |
| | **6,950** | **6,500,000** |

Conditions still to be met - remain liabilities (see note 15).

This grant is for the organisation of Extravaganza festivities. No funds were withheld.

**Municipal Disaster Management Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of the year | 628,910 | - |
| Current-year receipts | - | 1,287,000 |
| Conditions met - transferred to revenue | (628,910) | (658,090) |
| | **-** | **628,910** |

This grant was used for the COVID19, for cleaning material and personal, protective clothing. No funds were withheld.

**Integrated National Eletrification Programme (INEP)**

| | | |
|---|---|---|
| Current-year receipts | 7,000,000 | 10,000,000 |
| Payments made | (7,000,000) | (10,000,000) |
| | - | - |

| Figures in Rand | 2021 | 2020 |
|---|---|---|

### 20. Government grants (continued)

The municipality has entered into an arrangement with ESKOM for construction of MV powerlines for the areas within area of the municipality. The municipality is an agent to the transaction as all the powerlines are handed over back to ESKOM upon completion. Eskom would determine the specifications and approve the designs before construction. The project would be inspected by Eskom upon completion before it can be handed over. The Municipality has responsibility to appoint the contractor and/or service provider that is registered with ESKOM. The arrangement would improve the lives of the local communities.

**Smart Centres Grant**

| | 2021 | 2020 |
|---|---|---|
| Balance unspent at beginning of the year | 8,912,064 | - |
| Current-year receipts | - | 10,000,000 |
| Conditions met - transferred to revenue | (8,912,064) | (1,087,936) |
| | **-** | **8,912,064** |

This grant is for the construction of the Sports Complex grand stands . No funds were withheld.

**Expanded Public Works Programme (EPWP)**

| | 2021 | 2020 |
|---|---|---|
| Balance unspent at beginning of the year | - | - |
| Current-year receipts | 3,081,000 | 2,539,000 |
| Conditions met - transferred to revenue | (3,081,000) | (2,539,000) |
| | **-** | **-** |

This grant is for the salaries and operational costs of the contract employees for Extended Public Works Programme.

**Local Government Sectorial Education and Training Authority Grant (LG SETA)**

| | 2021 | 2020 |
|---|---|---|
| Balance unspent at beginning of the year | 8,215 | 8,215 |
| Current-year receipts | 526,028 | - |
| Payments made | (507,029) | - |
| | **27,214** | **8,215** |

Conditions still to be met - remain liabilities (see note 15).

This grant is provided for the Work Integrated Learning Programme in implementing the National Skills Development Strategy for the provision of experiential training to further education and training of graduates. No funds were withheld.

**Small Town Rehabilitation Grant**

| | 2021 | 2020 |
|---|---|---|
| Balance unspent at beginning of the year | 64,441 | 64,441 |
| Conditions met - transferred to revenue | (64,441) | - |
| | **-** | **64,441** |

This grant is for the rehabilitation of Caravan park. No funds were withheld.

**Building Plans System**

| | 2021 | 2020 |
|---|---|---|
| Balance unspent at beginning of year | 46,503 | - |
| Current-year receipts | - | 500,000 |
| Conditions met - transferred to revenue | (46,503) | (453,497) |
| | **-** | **46,503** |

This grant is for acquisition of building plans information management system.. No funds were withheld.

# Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|---|---|---|

### 21. Public contributions and donations

| | | |
|---|---|---|
| Public contributions and donations | 6,379,426 | 93,660 |

The Municipality received the following donation with the fair value of R 6 379 426 in 2021 (2020: R 93 660).

Nhlahleni community hall from the Department of Human Settlement with a fair value of R 4 577 494.

Dukuza sportsground from the Department of Sports with a fair value of R 1 684 247.

RFID machine from the Department of Arts and Culture with a fair value of R 117 686.

### 22. Other income

| | | |
|---|---|---|
| Business Licenses | 5,583 | 6,174 |
| Fees for photocopies and subscriptions | 10,835 | 19,328 |
| Rates Clearance | 56,914 | 34,696 |
| Tenders | 64,873 | 40,479 |
| Valuation Roll | 1,000 | 1,130 |
| Taxi Rank Fees | 11,321 | 12,820 |
| Sundry Revenue | 80,591 | - |
| | **231,117** | **114,627** |

Included in Sundry revenue are the unclaimed monies recognised as Revenue , i.e. hall deposits and unknown depositst.

### 23. Agency services

| | | |
|---|---|---|
| Driver's Licenses | 3,398,048 | 2,167,630 |
| Vehicle Registration | 1,321,565 | 879,063 |
| | **4,719,613** | **3,046,693** |

The municipality receives 8.55% (changed in June 2021 to 8.62%) on amounts collected for vehicle registrations since this is the function of Department of Transport.

# Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|---|---|---|

## 24. General expenses

| | | |
|---|---|---|
| Audit committee fees | 160,055 | 228,651 |
| Advertising | 610,240 | 508,516 |
| Auditors remuneration | 2,313,729 | 2,619,669 |
| Bank Charges | 53,961 | 41,725 |
| Communications and public relations | 144,931 | 146,960 |
| Consulting and professional Services | 6,012,398 | 1,375,800 |
| Consumables | 4,993,916 | 2,264,296 |
| Disaster and emergencies | 1,138,269 | 896,873 |
| Education support | 431,700 | 931,979 |
| Sub-contracting services | 4,007,970 | 3,542,443 |
| Refreshments | 284,793 | 380,908 |
| Pound | 53,917 | - |
| Insurance | 980,204 | 916,008 |
| Conferences and seminars | 68,493 | 81,595 |
| IT expenses | 2,319,223 | 2,514,972 |
| Pauper burials | 133,600 | 216,000 |
| Medical expenses | 70,781 | 31,469 |
| Rental of offices and office machines | 1,084,857 | 893,392 |
| Fuel and oil | 5,232,882 | 4,769,469 |
| Postage and courier | 48,574 | 75,709 |
| Printing and stationery | 1,215,986 | 631,053 |
| License fees | 1,566,477 | 1,250,080 |
| Strategic planning | 289,061 | 148,928 |
| Security (guarding of municipal properties) | 5,559,210 | 3,901,250 |
| Sport promotions | - | 275,450 |
| Subscriptions and membership fees | 972,874 | 947,444 |
| Telephone and fax | 3,288,855 | 3,368,251 |
| Training | 998,633 | 823,047 |
| Subsistence and travelling reimbursement | 417,776 | 1,124,321 |
| Traffic signs and roadmarkings | 273,900 | 142,519 |
| Electricity | 2,606,401 | 2,562,341 |
| Water | 233,841 | 190,033 |
| Uniform | 1,124,239 | 558,674 |
| Tourism Development | 6,678,559 | 593,368 |
| SMME's support | 8,650,539 | 6,417,525 |
| Free basic electricity | 1,129,988 | 1,128,023 |
| Ward committee | 1,701,000 | 1,711,500 |
| Public participation | 3,479,163 | 2,049,599 |
| Valuation expense | 731,805 | 76,330 |
| Scholar patrol | 99,938 | 81,710 |
| | **71,162,738** | **50,417,880** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|---|---|---|

### 25. Employee related costs

| | | |
|---|---|---|
| Basic | 69,633,782 | 59,375,539 |
| Bonus | 5,106,053 | 5,084,459 |
| Medical aid - company contributions | 2,214,744 | 1,951,178 |
| UIF | 515,665 | 478,304 |
| WCF | 968,396 | 811,571 |
| SDL | 691,233 | 549,825 |
| Leave pay provision charge | 2,316,105 | 2,900,269 |
| Overtime payments | 2,766,745 | 2,935,054 |
| Long-service awards | 390,000 | 521,000 |
| Car allowance | 2,666,614 | 2,642,780 |
| Housing benefits and allowances | 288,826 | 220,079 |
| SALGA | 31,532 | 23,822 |
| Post employee benefits- Pension | 10,048,333 | 9,266,622 |
| | **97,638,028** | **86,760,502** |

**Remuneration of Municipal Manager**

| | | |
|---|---|---|
| Annual Remuneration | 1,137,587 | 904,681 |
| Car Allowance | 192,000 | 192,000 |
| Performance Bonuses | 184,485 | 143,891 |
| | **1,514,072** | **1,240,572** |

**Remuneration of Chief Finance Officer**

| | | |
|---|---|---|
| Annual Remuneration | 577,316 | 451,143 |
| Car Allowance | 105,000 | 90,000 |
| Performance Bonus | - | 132,744 |
| | **682,316** | **673,887** |

**Remuneration of Director Social Services**

| | | |
|---|---|---|
| Annual Remuneration | 804,190 | 715,361 |
| Car Allowance | 168,000 | 168,000 |
| Performance Bonuses | 151,472 | 132,744 |
| Housing Allowances | 120,000 | 120,000 |
| | **1,243,662** | **1,136,105** |

**Remuneration of Director Technical Services**

| | | |
|---|---|---|
| Annual Remuneration | 381,522 | 98,991 |
| Car Allowance | 60,000 | 25,368 |
| | **441,522** | **124,359** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|---|---|---|

### 25. Employee related costs (continued)

**Remuneration of Director Corporate Services**

| | | |
|---|---|---|
| Annual Remuneration | 875,670 | 830,030 |
| Car Allowance | 216,000 | 216,000 |
| Performance Bonuses | 151,472 | 132,744 |
| | **1,243,142** | **1,178,774** |

### 26. Remuneration of councillors

| | | |
|---|---|---|
| Councillors | 10,949,492 | 10,949,491 |
| SDL and UIF | 68,299 | 107,474 |
| | **11,017,791** | **11,056,965** |

**Mayor**

| | | |
|---|---|---|
| Annual remuneration | 860,859 | 860,859 |
| Subsistence and travel reimbursements | 2,970 | 12,860 |
| Cellphone allowance | 44,400 | 44,400 |
| SDL | 5,759 | 9,135 |
| | **913,988** | **927,254** |

**Deputy Mayor**

| | | |
|---|---|---|
| Annual remuneration | 688,688 | 688,688 |
| Cellphone allowance | 44,400 | 44,400 |
| SDL | 4,667 | 7,331 |
| | **737,755** | **740,419** |

**Speaker**

| | | |
|---|---|---|
| Annual remuneration | 688,688 | 688,688 |
| Cellphone allowance | 44,400 | 44,400 |
| SDL | 4,667 | 7,331 |
| | **737,755** | **740,419** |

**Exco**

| | | |
|---|---|---|
| Annual remuneration | 938,931 | 945,158 |
| Travel allowance | 141,648 | 135,421 |
| Cellphone allowance | 133,200 | 133,200 |
| Subsistence and travel reimbursements | - | 7,655 |
| SDL | 7,546 | 11,892 |
| | **1,221,325** | **1,233,326** |

**Councillors**

| | | |
|---|---|---|
| Annual remuneration | 6,138,756 | 6,148,267 |
| Travel allowance | 204,322 | 194,810 |
| Cellphone allowance | 1,021,200 | 1,021,200 |
| Subsistence and travel reimbursements | - | 8,675 |
| SDL | 45,661 | 71,786 |
| | **7,409,939** | **7,444,738** |

| Figures in Rand | 2021 | 2020 |
|---|---|---|

### 26. Remuneration of councillors (continued)

**In-kind benefits**

The Mayor, Deputy Mayor, and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has 2 full-time bodyguards and the use of a Council owned vehicle.

The Deputy Mayor has 2 full-time bodyguards and the use of a Council owned vehicle.

The Speaker has 2 full-time bodyguards and the use of a Council owned vehicle .

**Accounting Officer's certification of Councillors remuneration**

The Accounting Officer certifies that the salaries, allowances and benefits of Councillors as disclosed above are within the

upper limits of the framework envisaged in Section 219 of the Constitution read with the Remuneration of Public Office

Bearer's Act.

**Subsistence and travelling reimbursement**

The councillors' subsistence and travelling reimbursement R 2 970 (2020: R 29 191) is included under general expenses in the statement of Financial Performance.

### 27. Debt impairment

| | | |
|---|---|---|
| Debt impairment - Consumer debtors | 8,226,871 | 9,080,963 |
| Debt impairment-Traffic fines | 247,345 | 48,142 |
| | **8,474,216** | **9,129,105** |

Debt impairment for consumer debtors is R 8 226 871 (2020:R 9 080 963). Increase in provision from ( 2020: R41 305 455- R 239 068)) to (2021: R49 293 257 ). An amount of R 239 068 (2020:R 168 158) was written off against the debt impairment.

Debt impairment for traffic fines is R 247 345, the provision increased from June 2020: R 1 146 359 to 30 June 2021: 1 393 704.

### 28. Interest received

| | | |
|---|---|---|
| **Interest revenue** | | |
| Interest received - Current Account | 929,511 | 1,236,709 |
| Interest received - Investments | 1,165,871 | 1,929,891 |
| | **2,095,382** | **3,166,600** |

### 29. Depreciation and amortisation

| | | |
|---|---|---|
| Property, plant and equipment | 25,666,923 | 24,230,756 |
| Intangible assets | 311,182 | 431,104 |
| | **25,978,105** | **24,661,860** |

Refer to reconciliation in note 3 and 4 for further details. Depreciation and amortisation is calculated over the useful life of the asset and reflects the realisation of that asset through continued use.

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
| --- | --- | --- |

### 30. Finance costs

| | | |
| --- | --- | --- |
| Finance leases | 1,127,002 | 1,529,200 |

### 31. Operating lease

The Municipality entered into an operating lease agreement as from 29 June 2020 for a period of 3 years with Yuretek, leasing photocopier machines and a monthly rental expense is accounted for in the Statement of Financial Performance . The average lease term is 3 years with 0% escalation. The rental is fixed for the duration of the contract.

The Municipality further entered into an operating lease agreement as from 01 July 2017 for a period of 9 years with MZ Hlatshwayo. Leasing a land for the pound and landfill site. The payment is to made in two equal payments within 2 financial years starting from the 2017/2018 and 2018/2019 financial years. Operating lease payment is accounted for in the Statement of Financial Performance and prepaid expense is accounted for in the Statement of Financial Position. The lease term is 9 years with 0% escalation.

| | | |
| --- | --- | --- |
| **Minimum Lease Due - Photocopier** | | |
| 1 year | 2,307,948 | 2,307,948 |
| >2 years | 2,486,072 | 4,615,895 |
| | **4,794,020** | **6,923,843** |

### 32. Cash generated from operations

| | | |
| --- | --- | --- |
| Surplus | 59,503,166 | 23,834,275 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 25,978,105 | 24,661,860 |
| Profit / Loss on sale of assets and liabilities | 255,350 | 29,942 |
| Fair value adjustments | - | (20,000) |
| Finance costs - Finance leases | 1,127,002 | 1,529,200 |
| Impairment deficit | 1,294,091 | 2,626,369 |
| Debt impairment | 8,474,216 | 9,129,105 |
| Movements in operating lease assets and accruals | (56,134) | - |
| Movements in retirement benefit assets and liabilities | 1,444,922 | (551,069) |
| Movements in provisions | 316,271 | 2,600,477 |
| Donation received | (6,379,426) | (93,660) |
| **Changes in working capital:** | | |
| Receivables from exchange transactions | (657,906) | 222,330 |
| Consumer debtors | (14,063,580) | (15,089,272) |
| Other receivables from non-exchange transactions | (530,319) | 2,100,747 |
| Payables from exchange transactions | 12,580,411 | (543,492) |
| VAT | (340,932) | 183,113 |
| Unspent conditional grants and receipts | (19,500,415) | 18,743,978 |
| | **69,444,822** | **69,363,903** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|---|---|---|

### 33. Commitments

**Authorised capital expenditure**

| | | |
|---|---|---|
| **Approved & contracted for** | | |
| • Capital projects already contracted for | 16,804,106 | 31,605,569 |
| **Approved but not yet contracted for** | | |
| • Capital projects not yet contracted for | 69,172,863 | 12,958,158 |

**Authorised operational expenditure**

| | | |
|---|---|---|
| **Approved & contracted for** | | |
| • Operational projects already contracted for | 40,730,184 | 19,782,570 |
| **Approved but not yet contracted for** | | |
| • Operational projects not yet contracted for | 603,954 | 1,126,861 |

### 34. Contingent liabilities

Microvulintuthuko Business Enterprise CC is attempting to claim payments against the municipality in relation to retention funds deducted in the course of the project (Bergville licensing and testing centre) as well as payment for alleged outstanding invoices, since the contract was terminated by the municipality. The municipality disputes this claim. The claim amount is:
R 3 120 080 (2020: R 3 120 080) (claim for work done)
R 690 176 (2020: R 690 176) (retention)

At this stage it is not probable that the municipality will pay , because the odds of success appear to be even.

Since December 2020 there has been no developments in this matter.

Mott McDonald (Pty) LTD is attempting to claim payment against the Municipality in relation to consulting engineer fees. The Municipality disputes this claim. The disputed claim amount is R 1 202 342 (2020: R 1 202 342).

The odds of success at this stage appear to be even. There has been ongoing engagements between the parties involved.

**Contingent assets**

No contingent assets exist for the period ended 30 June 2021 (2020: Nil)

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|---|---|---|

### 35. Change in Estimate

The Municipality has revised the remaining useful lives of assets which have reached the end of their useful lives yet still in a condition to be used by the Municipality, based on the conditions in terms of GRAP 17 paragraph 56.

The effects of this revision have decreased the depreciation by R 2 386 299.

The Municipality has revised the debt impairment provision for the Government debt from 25% to 15 % due to increase in the credit balances for some government debts accounts, this implies government departments are coming on board in trying to settle their accounts.
The effects of this revision has an decrease in the provision of R 1 892 984.

The effect on the change in useful lives, change in residual values and provision for debt are as follows:

| **Depreciation** | Depreciation per annum before | Depreciation per annum after | Difference (Change in Future depreciation) |
|---|---|---|---|
| Computer | 323,086 | 100,656 | 222,430 |
| Intangibles | 244,046 | 81,346 | 162,700 |
| Office Furniture | 205,420 | 56,492 | 148,927 |
| Machinery and Equipment | 334,280 | 108,659 | 225,621 |
| Infrastructure | 131,912 | 32,978 | 98,934 |
| Motor vehicles | 2,036,916 | 509,229 | 1,527,687 |
| | **3,275,660** | **889,360** | **2,386,299** |

| **Debt impairment provision** | Impairment per annum before | Impairment per annum after | Difference (change in impairment per annum) |
|---|---|---|---|
| Government debt | 4,732,460 | 2,839,476 | 1,892,984 |

### 36. Related parties

Key Management Personnel and Councillors Remuneration.

Remuneration of Key Management Personnel and Councillors is set out in Note 25 and 26 respectively to the Annual Financial Statements.

### 37. COVID-19

| **COVID-19 related expenditure** | | |
|---|---|---|
| COVID-19 related expenditure | 1,138,269 | 896,873 |

COVID-19 related expenditure include, cleaning material, face masks, sanitizers and other protective equipment.

As part of COVID-19 relief to property rates payers, the property rates tariffs were not increase in the 2020/21 financial year and additional 5% rebates was offered (on application) to qualifying categories.

### 38. Segment information

**General information**

**Identification of segments**

The municipality does not have reportable segments as at 30 June 2021.

# Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|---|---|---|

## 39. Risk management

### Financial risk management

Due to the largely non-trading nature of the activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk, liquidity risk, market risk relating to interest rate risk.

### Liquidity risk

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

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

| | | |
|---|---|---|
| Other: Lease obligation | 4,825,845 | 4,578,814 |
| Trade and other payables | 46,204,740 | 33,624,328 |
| **Maximum liquidity exposure** | **51,030,585** | **38,203,142** |

### Credit risk

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

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

| **Financial instrument** | **2021** | **2020** |
|---|---|---|
| Cash and cash equivalents | 71,125,444 | 57,730,330 |
| Trade and other receivables | 15,757,717 | 11,936,450 |

The amount disclosed for trade and other receivables is after the allowance for impairment .

### Market risk

### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

| | | |
|---|---|---|
| Cash and cash equivalent | 71,125,444 | 57,730,330 |

## 40. Events after the reporting date

There are no material events that occurred after the reporting date 30 June  2021, other than the adjusting events disclosed in note 16.

# Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|---|---|---|

## 41. Fruitless and wasteful expenditure

| Reconciliation of fruitless and wasteful expenditure | - | - |
|---|---|---|
| Opening balance | 776,395 | 838,669 |
| Interest and penalties | 46,308 | 42,754 |
| Less: Amounts recoverable - prior period | - | (11,014) |
| Less: Amount written off - current | (44,534) | (42,754) |
| Less: Amount written off - prior period | - | (51,260) |
| **Closing balance** | **778,169** | **776,395** |

An amount of R 776 395 is as a result of misconduct by a former employee during 2014/2015 financial year, a case was opened against the employee for payments made to ghost employees and the case is currently under investigation by the South African Police Services. The matter is currently in criminal court.

**Incidents 2020/2021**

An amount of R 46 308 for interest and penalties incurred on late payments,of which R 44 534 was written off by Council and the balance of R 1 774 has been referred to MPAC for investigation in terms of section 32 of the MFMA.

## 42. Irregular expenditure

| Reconciliation of Irregular expenditure | - | - |
|---|---|---|
| Opening balance | 785,512 | 31,407,081 |
| Expenditure incurred during the year | 3,638,879 | 23,177,622 |
| Less: Amount written off - by Council | (3,992,175) | (53,799,191) |
| **Closing balance** | **432,216** | **785,512** |

### 42. Irregular expenditure (continued)

**Opening balance**

**Incident 2019/2020**.

An amount of R 7 313 382 was incurred by the Municipality on electrification projects, the adjudication committee was not constituted in accordance with the SCM policy due to the position of Director Technical Service being vacant, the matter has been submitted to relevant committees for consideration.

An amount of R 3 629 561 was incurred by the Municipality on Bergville CSC, the Municipality extended a contract using section 116 of the MFMA, the matter has been submitted to relevant committees for consideration.

An amount of R 1 662 535 was incurred by the Municipality on housing projects, the service provider delivered the works not prescribed on the scope of works, the matter has been been submitted to relevant committees for consideration.

An amount of R 3 366 178 was incurred by the Municipality on fuel and oil, the contract extensions was not done in compliance with the section 116 of MFMA, the matter has been been submitted to relevant committees for consideration.

An amount of R 7 205 966 was incurred by the Municipality on MIG projects, the adjudication committee was not constituted in accordance with the SCM policy, the matter has been submitted to relevant committees for consideration.

An amount of R 785 512 has been written off by council in accordance to section 32 of the MFMA, however the write-off took place after year end.

**Incident 2020/2021.**

An amount of R 274 415 was paid for extension of insurance contract, however a new contract was entered into in the second month. The amount has been written off by council in accordance to section 32 of the MFMA.

An amount of R 42 560 was paid for extension of month to month VAT contract, this amount has been written off by Council.

An amount of R 2 795 104 was paid for extension of month to month security contract, an amount of R 2 362 892 has been written off by Council, the balance of R 432 212 has been referred to MPAC for investigation as per Section 32 of the MFMA.

An amount of R 526 800 for procurement split for interlocking joint pipes has been written off by council in accordance to section 32 of the MFMA.

### 43. Unauthorised expenditure

| | 2021 | 2020 |
|---|---|---|
| **Opening balance as restated** | **-** | **-** |
| Opening balance | 2,951,509 | 2,442,196 |
| Expenditure incurred during the year | - | 2,951,509 |
| Less: Amount approved by Council | (2,951,509) | (2,442,196) |
| **Closing balance** | **-** | **2,951,509** |

**2019/2020 Incidents**

The Municipality revised the residual values of motor vehicles in accordance with GRAP 3, this led to additional depreciation in the current year.

The Municipal building was damaged in a hit and run motor accident , this resulted in an impairment loss. The landfill site used by the Municipality has a zero useful life, this was the indication for impairment and an impairment loss was recognised.

An amount of R 2 951 509 has been written off by council in accordance to section 32 of the MFMA, however the write-off took place after year end.

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
| --- | --- | --- |

**44. Additional disclosure in terms of Municipal Finance Management Act**

**Audit fees**

| | | |
| --- | --- | --- |
| Current year subscription / fee | 2,313,729 | 2,619,669 |
| Amount paid - current year | (2,313,729) | (2,619,669) |
| | - | - |

**PAYE, SDL and UIF**

| | | |
| --- | --- | --- |
| Opening balance | - | - |
| Current year subscription / fee | 15,500,463 | 13,463,040 |
| Amount paid - current year | (15,500,463) | (13,463,040) |
| | - | - |

**Pension and Medical Aid Deductions**

| | | |
| --- | --- | --- |
| Opening balance | - | - |
| Current year subscription / fee | 18,352,016 | 15,932,887 |
| Amount paid - current year | (18,352,016) | (15,932,887) |
| | - | - |

**VAT**

| | | |
| --- | --- | --- |
| VAT receivable | 5,394,603 | 5,053,671 |

VAT output payables and VAT input receivables are shown in note 10.

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

**Councillors' arrear consumer accounts**

For the financial period ended 30 June 2021, there were no rates or services arrears owed by any councillor. Further, during the financial year there are no councillors which were outstanding for more than 90 days.

**Supply chain management regulations**

Quotations: In terms of regulation 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. These deviations refer to the instances as stipulated in the regulations and relates mainly to emergencies and instances where it was impractical to follow SCM processes.

| | | |
| --- | --- | --- |
| **Incident** | | |
| Other | 839,191 | 510,619 |