Inkosi Langalibalele Municipality
(Registration number KZN237)
Financial statements
for the year ended 30 June 2021

General Information

Legal form of entity	Municipality
Nature of business and principal activities	The primary function of Inkosi Langalibalele Local Municipality is to providedbasic service i.e. electricity, and refuse to the municipal jurisdiction, Inkosi Langalibalele Local Municipality is controlled by a Mayor, Deputy Mayor, Speaker, Chief Whip, seven ExecutiveCommittee members, the Accounting Officer and five Directors who contribute to the day to day management
Mayoral committee	
Mayor	Ms. JM Mbhele
Deputy Mayor	Position vacant since 04 July 2019
Speaker	Mr SA Mdakane
Chief Whip	Mr. NE Mazibuko
MPAC Chairperson	Mr. ES Ndumo
EXCO Member	Ms E Jacobs
EXCO Member	Mr MC Mkhize
EXCO Member	Mr SW Khumalo
EXCO Member	Ms MD Mazibuko
EXCO Member	Ms. X Mokadi
EXCO Member	Mr MBA Khanyile
EXCO Member	Mr. SW Khumalo
Councillors	Ms. PP Mgaga - Ward 1
	Mr. NF Dlangalala - Ward 2
	Mr. BN Mpembe - Ward 3
	Mr. SE Mbongwa - Ward 5
	Mr. TM Mvelase - Ward 7
	Mr. BT Mngandi - Ward 8
	Mr. BS Dladla - Ward 9
	Mr. BE Nkala - Ward 11
	Mr. SB Zondi - Ward 12
	Mr. LM Mlaba - Ward 13
	Mr. SP Vilakazi - Ward 14
	Mr. TP Dubazane - Ward 15
	Mr. N Mvelase - Ward 17
	Mr. SV Ndwandwe- Ward 18
	Mr. SN Mchunu - Ward 19
	Mr. MM Mncube - Ward 20
	Mr. B Dladla - Ward 21
	Mr. LM Mvelase - Ward 22
	Mr. PB Mngadi - Ward 23
	Mr. U Chetty - PR
	Mr. NE Sithole - PR
	Ms. GE Mbhele - PR
	Mr. KA Vilakazi - PR
	Mr. MA Zulu - PR
	Ms. MW Luthuli - PR
	Mr. SM Mbhele - PR (Deceased since January 2021)
	Ms. SF Khumalo - PR
	Ms. YN Dlamini - PR
	Ms. NM Hlongwane - PR

General Information

	Ms. TO Shandu - PR
	Ms. ZP Sikhosana - PR
	Mr. MM Nkala - PR
	Mr. SS Mzimela - PR
	Mr. KA Nthekise - PR
	Mr. MT Myeze - PR
	Mr TC Dubazane - PR
Grading of local authority	Grade 3
Chief Finance Officer (CFO)	Mr. S P Radebe
Accounting Officer	Mr. P S Mkhize
Registered office	Civic Building 1 Victoria Street Estcourt 3310
Postal address	P.O. Box 15 Estcourt 3310
Bankers	First National Bank
Auditors	Auditor General of South Africa
Attorneys	SM Mbatha Attorneys; Ndwandwe Attorneys; Ngwanase-Tembe Inc; Ngidi & Company Inc Lalpasard Inc; Xaba Attorneys; PKX Attorneys Mathew Francis Inc and Venns Attorneys

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

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and was given unrestricted access to all financial records and related data.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the 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 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.My assumption is made based on the municipality receiving continuous grant funding from both National and Provincial Government. The municipality is dependent on revenue received from billing of property rates and services to the community and state for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that Abaqulusi Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. (Refer to Note for going concern for the detailed analysis).

The municipality is currently under discretionary administration in accordance with section 139 of the constitution and section 137 of the MFMA. The discretionary intervention was implemented to assist the municipality deal with it's long term financial sustainability.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the note entitled Remuneration of Councillors of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Offive Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed by: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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

Mr. P S Mkhize
Designation

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	96 458 875	22 523 284
Receivables from exchange transactions	3	96 667 749	96 220 516
Receivables from non-exchange transactions	4	53 312 471	37 996 355
Inventories	5	10 391 462	9 633 477
Consumer debtors		127 607	112 747
		256 958 164	**166 486 379**
Non-Current Assets			
Investment property	6	64 596 713	66 876 791
Property, plant and equipment	7	809 978 799	786 528 170
Intangible assets	8	1 810 103	2 452 220
Heritage assets	9	9 570 170	9 570 170
		885 955 785	**865 427 351**
Total Assets		**1 142 913 949**	**1 031 913 730**
Liabilities			
Current Liabilities			
Other financial liabilities	15	133 218	1 117 125
Finance lease obligation	13	246 234	317 853
Payables from exchange transactions	10	111 211 811	129 427 242
VAT payable	12	21 648 716	7 179 146
Consumer deposits	17	5 136 740	4 875 099
Employee benefit obligation	11	3 079 433	3 079 433
Unspent conditional grants and receipts	14	4 331 813	6 042 250
Provisions	16	4 769 325	5 806 917
		150 557 290	**157 845 065**
Non-Current Liabilities			
Other financial liabilities	15	2 251 093	2 573 135
Finance lease obligation	13	-	185 411
Employee benefit obligation	11	30 753 861	32 465 520
Provisions	16	16 190 977	29 826 965
		49 195 931	**65 051 031**
Total Liabilities		**199 753 221**	**222 896 096**
Net Assets		**943 160 728**	**809 017 634**
Accumulated surplus		943 115 981	809 017 634
Total Net Assets		**943 115 981**	**809 017 634**

* See Note 50

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	243 022 305	231 835 577
Rental of facilities and equipment	20	1 460 001	1 041 162
Agency services	22	3 456 798	3 181 431
Other income		832 720	366 165
Interest received - investment & bank accounts	27	2 034 775	2 009 211
Total revenue from exchange transactions		**250 806 599**	**238 433 546**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	101 766 803	100 425 899
Property rates - penalties imposed	28	-	32 074 729
Licences and Permits (Non-exchange)	24	235 698	488 483
Transfer revenue			
Government grants & subsidies	29	288 707 951	234 867 939
Fines, Penalties and Forfeits	21	4 157 320	3 980 068
Total revenue from non-exchange transactions		**394 867 772**	**371 837 118**
Total revenue	18	**645 674 371**	**610 270 664**
Expenditure			
Employee related costs	30	(159 751 618)	(170 086 553)
Remuneration of councillors	31	(12 712 854)	(13 385 289)
Depreciation and amortisation	32	(36 293 176)	(53 599 867)
Finance costs	33	(1 801 987)	(4 789 017)
Lease rentals on operating lease	25	(2 504 313)	(2 013 618)
Debt Impairment	34	(2 556 251)	33 024 426
Bulk purchases	35	(186 778 543)	(169 318 336)
Contracted services	36	(80 719 169)	(49 810 090)
General Expenses	37	(34 377 392)	(46 277 423)
Total expenditure		**(517 495 303)**	**(476 255 767)**
Operating surplus		**128 179 068**	**134 014 897**
Loss on disposal of assets and liabilities		-	(1 093 380)
Actuarial gains/losses	11	14 942 409	7 860 999
Inventories losses/write-downs		(34 826)	27 997
		14 907 583	**6 795 616**
Surplus for the year		**143 086 651**	**140 810 513**

* See Note 50

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2019	**668 207 121**	**668 207 121**
Changes in net assets		
Surplus for the year	140 810 513	140 810 513
Total changes	140 810 513	140 810 513
Restated* Balance at 01 July 2020	**800 029 330**	**800 029 330**
Changes in net assets		
Surplus for the year	143 086 651	143 086 651
Total changes	143 086 651	143 086 651
Balance at 30 June 2021	**943 115 981**	**943 115 981**

Note(s)

* See Note 50

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Taxation		102 757 026	266 248 270
Sale of goods and services		248 309 733	187 696 917
Grants		286 997 514	227 812 059
Interest income		2 034 775	2 009 211
		640 099 048	683 766 457
Payments			
Employee costs		(156 303 028)	(170 879 883)
Suppliers		(343 517 548)	(475 859 676)
Finance costs		(1 801 987)	(4 751 349)
		(501 622 563)	(651 490 908)
Net cash flows from operating activities	39	**138 476 485**	**32 275 549**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(63 234 945)	(38 979 597)
Proceeds from sale of property, plant and equipment	7	-	265 865
Purchase of other intangible assets	8	-	(2 788 815)
Proceeds from sale of financial assets		-	(218 495)
Net cash flows from investing activities		**(63 234 945)**	**(41 721 042)**
Cash flows from financing activities			
Repayment of other financial liabilities		-	(1 308 286)
Net cash flows from financing activities		**(1 305 949)**	**(1 308 286)**
Net increase/(decrease) in cash and cash equivalents		**73 935 591**	**(10 753 779)**
Cash and cash equivalents at the beginning of the year		22 523 284	33 277 063
Cash and cash equivalents at the end of the year	2	**96 458 875**	**22 523 284**

* See Note 50

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 Performance						
Revenue						
Revenue from exchange transactions						
Service charges	267 702 000	(22 026 000)	**245 676 000**	243 022 305	**(2 653 695)**	
Rental of facilities and equipment	189 000	900 000	**1 089 000**	1 460 001	**371 001**	
Agency services	-	-	**-**	3 456 798	**3 456 798**	
Other income	2 910 000	(1 641 000)	**1 269 000**	832 720	**(436 280)**	
Interest received - investment	1 353 000	(299 000)	**1 054 000**	2 034 775	**980 775**	
Total revenue from exchange transactions	**272 154 000**	**(23 066 000)**	**249 088 000**	**250 806 599**	**1 718 599**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	180 554 000	(53 918 000)	**126 636 000**	101 766 803	**(24 869 197)**	
Licences and Permits (Non-exchange)	3 581 000	(859 000)	**2 722 000**	235 698	**(2 486 302)**	
Transfer revenue						
Government grants & subsidies	200 466 000	36 370 000	**236 836 000**	288 707 951	**51 871 951**	
Fines, Penalties and Forfeits	24 138 000	(1 019 000)	**23 119 000**	4 157 320	**(18 961 680)**	
Total revenue from non-exchange transactions	**408 739 000**	**(19 426 000)**	**389 313 000**	**394 867 772**	**5 554 772**	
Total revenue	**680 893 000**	**(42 492 000)**	**638 401 000**	**645 674 371**	**7 273 371**	
Expenditure						
Personnel	(175 093 000)	(106 000)	**(175 199 000)**	(159 751 618)	**15 447 382**	
Remuneration of councillors	(13 504 000)	(301 000)	**(13 805 000)**	(12 712 854)	**1 092 146**	
Depreciation and amortisation	(57 359 000)	2 124 000	**(55 235 000)**	(36 293 176)	**18 941 824**	
Finance costs	(2 391 000)	1 149 000	**(1 242 000)**	(1 801 987)	**(559 987)**	
Debt Impairment	(81 996 000)	7 434 000	**(74 562 000)**	(2 556 251)	**72 005 749**	
Bulk purchases	(211 172 000)	29 893 000	**(181 279 000)**	(186 778 543)	**(5 499 543)**	
Contracted Services	(49 933 000)	(33 017 000)	**(82 950 000)**	(83 223 482)	**(273 482)**	
General Expenses	(18 482 000)	(447 000)	**(18 929 000)**	(34 377 392)	**(15 448 392)**	
Total expenditure	**(609 930 000)**	**6 729 000**	**(603 201 000)**	**(517 495 303)**	**85 705 697**	
Operating surplus	**70 963 000**	**(35 763 000)**	**35 200 000**	**128 179 068**	**92 979 068**	
Actuarial gains/losses	-	-	**-**	14 942 409	**14 942 409**	
Inventories losses/write-downs	-	-	**-**	(34 826)	**(34 826)**	
	-	**-**	**-**	**14 907 583**	**14 907 583**	
Surplus before taxation	**70 963 000**	**(35 763 000)**	**35 200 000**	**143 086 651**	**107 886 651**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**70 963 000**	**(35 763 000)**	**35 200 000**	**143 086 651**	**107 886 651**	

Accounting Policies

Figures in Rand	Note(s)	2021	2020

1. Presentation of Financial Statements

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

Accounting Policies

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

STANDARDS APPROVED AND EFFECTIVE FOR 2020/21 FINANCIAL YEAR
The following GRAP standards have been approved and effective to the municipality for the 2020/21 financial year:
GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 The Effects of Changes in Foreign Exchange Rates
GRAP 5 Borrowing Costs
GRAP 9 Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary Economies
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events After the Reporting Date
GRAP 16 Investment Property
GRAP 17 Property Plant and Equipment
GRAP 18 Segment Reporting
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 20 Related Party Disclosures
GRAP 21 Impairment of Non -Cash Generating Assets
GRAP 23 Revenue from Non- Exchange Transactions (Taxes and Transfers)
GRAP 24 Presentation of Budget Information in Financial Statements
GRAP 25 Employee Benefits
GRAP 26 Impairment of Cash-Generating Assets
GRAP 27 Agriculture
GRAP 31 Intangible Assets
GRAP 32 Service Concession Arrangements: Grantor
GRAP 34 Separate Financial Statements
GRAP 35 Consolidated Financial Statements
GRAP 36 Investments in Associates and Joint Ventures
GRAP 37 Joint Arrangements
GRAP 38 Disclosure of Interests of Other Entities
GRAP 100 Discounted Operations
GRAP 103 Heritage Assets
GRAP 104 Financial Instruments
GRAP 105 Transfer of Functions Between Entities Under Common Control
GRAP 106 Transfer of Functions Between Entities Not Under common Control
GRAP 107 Mergers
GRAP 108 Statutory Receivables
GRAP 109 Accounting by Principals and Agents
GRAP 110 Living and Non-Living resources

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

Accounting Policies

IGRAP 20 Accounting for Adjustments to Revenue

AUTHORITATIVE GUIDELINES APPROVED AND EFECTIVE FOR 2020/21 FINANCIAL YEAR
Guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality. Figures contained in the Annual Financial Statements are rounded off to the nearest whole number.

1.2 Going concern assumption

These 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 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements. Significant judgements include:

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships..

Additional information is disclosed in Note 47.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

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

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

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

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Accounting Policies

1.5 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	30-50 years
Property - buildings	30-50 years

1.6 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Land	Straight-line	indefinite
Buildings	Straight-line	30-50 years
Roads	Straight-line	5-50 years
Plant and machinery	Straight-line	5-15 years
Furniture and fixtures	Straight-line	5-10 years
Motor vehicles	Straight-line	5-7 years
Office equipment	Straight-line	5-7 years
IT equipment	Straight-line	3-5 years
Transformers & related equipment	Straight-line	50 years
Street Lighting	Straight-line	50 years
Recreational Facilities	Straight-line	5-50 years
Fresh produce and other markets	Straight-line	5-50 years
Landfill Site	Straight-line	5-50 years
Transport facilities	Straight-line	5-50 years
Fencing	Straight-line	10 years
Emergency equipment	Straight-line	5-15 years
Electricity	Straight-line	5-50 years
Security	Straight-line	5-10 years

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

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

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

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

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

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

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

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

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

Accounting Policies

1.7 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.

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight-line	3-5 years

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

Accounting Policies

1.8 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.

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 financial statements.

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

Subsequent measurement

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

1.9 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.

1.10 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.

1.10 Statutory receivables (continued)

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.

1.11 Tax

1.12 Leases

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

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

Finance leases - lessee

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

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

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 - 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.

1.13 Inventories

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

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

1.13 Inventories (continued)

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.14 Tax (continued)

Identification

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

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

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

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.14 Tax (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.14 Tax (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Designation

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

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

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

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also 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.

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.16 Employee benefits

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

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

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

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

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

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

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

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

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

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.

1.16 Employee benefits (continued)

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.

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.

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.16 Employee benefits (continued)

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.17 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

1.17 Impairment of non-cash-generating assets (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 an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- 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, an 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.

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

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 Revenue from exchange transactions

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

Accounting Policies

1.19 Revenue from exchange transactions (continued)

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.

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

1.20 Revenue from non-exchange transactions

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

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

Control of an asset 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.

1.20 Compound instruments (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.

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

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

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

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

Recognition

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

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

Measurement

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

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

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.

Transfers

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

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

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

Accounting Policies

1.20 Compound instruments (continued)

Fines

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

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

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

1.21 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.

1.22 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

1.22 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

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

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

Recognition

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

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

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

1.23 Comparative figures

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of Grap does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the curent year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly..

1.24 Unauthorised expenditure

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

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

1.25 Fruitless and wasteful expenditure

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

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

Accounting Policies

1.26 Irregular expenditure

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

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

1.27 Segment information

A segment is an activity of an entity:

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

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

1.28 Budget information

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

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

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

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

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

The 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 financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.29 Related parties

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

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

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

1.30 Events after reporting date

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

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

1.30 Events after reporting date (continued)

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

Notes to the Financial Statements

Figures in Rand	2021	2020

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	28 433	9 854
Bank balances	46 104 177	7 392 031
Short-term deposits	50 326 265	15 121 399
	96 458 875	**22 523 284**

Short-term deposits

FNB Call Account Number 62033811995	4 546	5 340
FNB Cheque Account Number 62216019019	90 121	91 545
FNB Cheque Account Number 62216024737	(97)	172
FNB Money Market Account Number 62232266991	175 417	4 256 403
FNB Cheque Account Number 62281385130	33 453	8 986
FNB Money Market Account Number 6234751060	231 602	1 220 173
FNB Money Market Account Number 6234582050	484 194	1 467 787
FNB Fixed Deposit Account Number 71066697123	14 000	14 000
FNB Fixed Deposit Account Number 71021254116	51 537	51 536
FNB Fixed Deposit Account Number 71048724530	11 215	11 000
FNB Call Account Number 62296691686	2 787 860	2 736 799
FNB Call Account Number 62778010969	2 417	4 321
FNB Call Account Number 62778019200	44 390 901	2 690 653
FNB Call Account Number 62778013369	33 646	596 217
FNB Call Account Number 62778018517	13 815	14 061
FNB Call Account Number 62778011529	19 330	18 850
FNB Call Account Number 62778015589	129 740	126 520
FNB Call Account Number 62778017650	62 293	62 697
FNB Call Account Number 62778014648	51 592	50 331
FNB Call Account Number 62778016743	1 673 623	1 632 086
FNB Call Account Number 62778016115	14 734	14 368
Standard Bank Money Market Account Number 75075646	16 092	15 321
Nedbank Fixed Deposit Account Number 19542952	32 234	32 233
	50 324 265	**15 121 399**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Main Bank Account - FNB Acc No. 62633444443	8 985 270	7 317 911	17 672 874	46 127 518	-	(7 200 239)
Main Bank Account - ABSA Acc No. 4056119170	-	81 390	9 239	-	82 990	-
Total	**8 985 270**	**7 399 301**	**17 682 113**	**46 127 518**	**82 990**	**(7 200 239)**

3. Receivables from exchange transactions

Consumer debtors - Electricity	48 620 964	89 373 665
Consumer debtors - Refuse	35 956 682	6 609 564
Consumer debtors - Other	12 090 103	237 287
	96 667 749	**96 220 516**

Notes to the Financial Statements

Figures in Rand	2021	2020

4. Receivables from non-exchange transactions

Fines	15 773 254	950 087
Other receivables from non-exchange revenue - overpayment to creditors	270 534	270 534
Other receivables from non-exchange revenue - overpayment of ABSA Loan	369 093	369 093
Consumer debtors - Rates	36 899 590	36 406 641
	53 312 471	**37 996 355**

5. Inventories

Materials & Supplies	1 386 462	628 477
Unsold Properties Held for Resale	9 005 000	9 005 000
	10 391 462	**9 633 477**

Inventory pledged as security

No Inventory was pledged as security.

6. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	68 402 348	(3 805 635)	64 596 713	68 402 348	(1 525 557)	66 876 791

Reconciliation of investment property - 2021

	Opening balance	Depreciation	Total
Investment property	66 876 791	(2 280 078)	64 596 713

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Investment property	67 033 576	(156 785)	66 876 791

Pledged as security

No investment property was pledge as security against any liability.
A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The valuation of the investment property was performed by MillsFithet Independent Valuers. The fixed date of valuation and the date of compilation as per the valuation report are 2 July 2012 and 19 April 2013 respectively. The fair value as at the date 2 July 2012 was R 3 500 000.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	1 460 001	1 041 162

Notes to the Financial Statements

Figures in Rand

7. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	375 686 877	(58 533 934)	317 152 943	380 111 598	(58 533 934)	321 577 664
Plant and machinery	24 457 324	(25 914 590)	(1 457 266)	24 016 668	(25 397 104)	(1 380 436)
Furniture and fixtures	42 026 892	(28 130 287)	13 896 605	36 451 435	(27 613 406)	8 838 029
Motor vehicles	37 162 908	(17 340 925)	19 821 983	35 325 573	(14 198 527)	21 127 046
Office equipment	537 984	-	537 984	537 984	-	537 984
Infrastructure	776 367 761	(439 060 387)	337 307 374	764 529 253	(422 015 938)	342 513 315
Community	110 314 880	(40 708 006)	69 606 874	114 165 429	(40 708 006)	73 457 423
Other property, plant and equipment # 1	53 112 302	-	53 112 302	19 857 145	-	19 857 145
Total	**1 419 666 928**	**(609 688 129)**	**809 978 799**	**1 374 995 085**	**(588 466 915)**	**786 528 170**

Notes to the Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Total
Buildings	321 577 664	-	317 152 943
Plant and machinery	(1 380 436)	440 656	(1 457 266)
Furniture and fixtures	8 838 029	-	13 896 605
Motor vehicles	21 127 046	-	19 821 983
Office equipment	537 984	-	537 984
Infrastructure	342 513 315	3 690 558	337 307 374
Community	73 457 423	-	69 606 874
Other property, plant and equipment # 1	19 857 145	-	53 112 302
	-	-	-
	786 528 170	**4 131 214**	**809 978 799**

Notes to the Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Total
Buildings	250 621 661	321 577 664
Plant and machinery	(11 118 071)	(1 380 436)
Furniture and fixtures	(10 606 695)	8 838 029
Motor vehicles	2 738 714	21 127 046
Office equipment	4 241 289	537 984
Infrastructure	290 850 031	342 513 315
Community	68 503 913	73 457 423
Other property, plant and equipment	73 048 800	-
Other property, plant and equipment # 1	88 167 584	19 857 145
Other leased Assets # 1	7 099 312	-
	-	-
	763 546 538	**786 528 170**

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

Notes to the Financial Statements

Figures in Rand

8. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4 940 189	(3 130 086)	1 810 103	4 940 189	(2 487 969)	2 452 220

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	2 452 220	(642 117)	1 810 103

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	46 251	2 788 815	(382 846)	2 452 220

Notes to the Financial Statements

Figures in Rand

9. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	9 570 170	-	9 570 170	9 570 170	-	9 570 170

Reconciliation of heritage assets 2021

	Opening balance	Total
Historical buildings	9 570 170	9 570 170

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical buildings	9 570 170	9 570 170

10. Payables from exchange transactions

Trade payables	80 583 103	93 015 596
Income received in advanced	5 592 254	5 592 254
Retentions	5 953 374	5 955 417
Provision for Leave	16 470 685	18 339 646
Salary Control Account	2 612 395	6 524 329
	111 211 811	**129 427 242**

Notes to the Financial Statements

Figures in Rand	2021	2020

11. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation	(25 535 507)	(25 535 507)
Present value of the defined benefit obligation-partly or wholly funded	(8 297 787)	(10 009 446)
	(33 833 294)	**(35 544 953)**
Non-current liabilities	(30 753 861)	(32 465 520)
Current liabilities	(3 079 433)	(3 079 433)
	(33 833 294)	**(35 544 953)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(35 270 507)	(38 887 208)
Net expense recognised in the statement of financial performance	-	3 616 701
	(35 270 507)	**(35 270 507)**

Net expense recognised in the statement of financial performance

Current service cost	-	(1 085 584)
Interest cost	-	(2 543 728)
Actuarial (gains) losses	-	6 176 178
Settlement	-	1 069 835
	-	**3 616 701**

12. VAT payable

VAT Payable	21 648 716	7 179 146

13. Finance lease obligation

Minimum lease payments due		
- within one year	246 234	317 864
- in second to fifth year inclusive	-	185 400
Present value of minimum lease payments	**246 234**	**503 264**
Non-current liabilities	-	185 411
Current liabilities	246 234	317 853
	246 234	**503 264**

The municipality's policy is to lease certain motor vehicles under finance leases. The average lease term was 5 years for motor vehciles Interest rates are fixed at the contract date. All leases have fixed repayments

Notes to the Financial Statements

Figures in Rand	2021	2020

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Small Towns Rehabilitation Grant	-	1 364 257
Municipal Infrastructure Grant	-	926 764
Library Grant	-	240 461
New Establishment & Other Operational Support	211 441	211 441
NYDA Grant	-	9 917
Dalton Community Bridge Project	5 000 000	-
Department of Housing Grant	(1 330 302)	3 020 836
Spacial Development Framework Grant	56 424	224 324
EEDBS Transfer Grant	350 000	-
LED Grant	44 250	44 250
	4 331 813	**6 042 250**

Movement during the year

Balance at the beginning of the year	6 042 250	13 128 130
Additions during the year	176 076 244	-
Income recognition during the year	(177 786 681)	(7 085 880)
	4 331 813	**6 042 250**

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

15. Other financial liabilities

At amortised cost		
DBSA Loan 61000893	2 251 093	1 259 013
DBSA Loan 61000894	-	1 314 122
DBSA Loan 61000893	-	129 968
DBSA Loan 61000894	133 218	987 157
	2 384 311	**3 690 260**
Total other financial liabilities	**2 384 311**	**3 690 260**

The DBSA Loans are repayed bi-annually, the Loans have a fixed interest rate of 6.75%. The DBSA loan Account 61000893 will be fully redeemed by 30 June 2031, whilst DBSA Loan Account 61000894 was settled by 30 June 2021.

Non-current liabilities		
At amortised cost	2 251 093	2 573 135
Current liabilities		
At amortised cost	133 218	1 117 125

Notes to the Financial Statements

Figures in Rand	2021	2020

16. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Reversed during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	29 826 965	1 306 421	-	(14 942 409)	16 190 977
Bonus provision	5 806 917	4 769 325	(5 806 917)	-	4 769 325
	35 633 882	**6 075 746**	**(5 806 917)**	**(14 942 409)**	**20 960 302**

Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Environmental rehabilitation	28 654 495	1 172 470	29 826 965
Bonus provision	4 042 048	1 764 869	5 806 917
	32 696 543	**2 937 339**	**35 633 882**

	2021	2020
Non-current liabilities	16 190 977	29 826 965
Current liabilities	4 769 325	5 806 917
	20 960 302	**35 633 882**

17. Consumer deposits

	2021	2020
Electricity	5 136 740	4 875 099

18. Revenue

	2021	2020
Service charges	243 022 305	231 835 577
Rental of facilities and equipment	1 460 001	1 041 162
Agency services	3 456 798	3 181 431
Other income	832 720	366 165
Interest received - investment & bank accounts	2 034 775	2 009 211
Property rates	101 766 803	100 425 899
Property rates - penalties imposed	-	32 074 729
Government grants & subsidies	288 707 951	234 867 939
Fines, Penalties and Forfeits	4 157 320	3 980 068
	645 438 673	**609 782 181**

The amount included in revenue arising from exchanges of goods or services are as follows:	2021	2020
Service charges	243 022 305	231 835 577
Rental of facilities and equipment	1 460 001	1 041 162
Agency services	3 456 798	3 181 431
Other income	832 720	366 165
Interest received - investment & bank accounts	2 034 775	2 009 211
	250 806 599	**238 433 546**

Notes to the Financial Statements

Figures in Rand	2021	2020

18. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	101 766 803	100 425 899
Property rates - penalties imposed	-	32 074 729
Licences or permits	235 698	488 483
Transfer revenue		
Government grants & subsidies	288 707 951	234 867 939
Fines, Penalties and Forfeits	4 157 320	3 980 068
	394 867 772	**371 837 118**

19. Service charges

Sale of electricity	234 578 971	222 896 224
Refuse removal	8 443 334	8 939 353
	243 022 305	**231 835 577**

20. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	1 460 001	1 041 162

21. Fines, Penalties and Forfeits

Illegal Connections Fines	1 382 820	139 743
Municipal Traffic Fines	2 774 500	3 840 325
	4 157 320	**3 980 068**

22. Agency services

Driver's Licenses	2 709 689	1 699 398
Vehicle Registration	747 109	1 482 033
	3 456 798	**3 181 431**

The municipality provides motor vehicle and driver licences services on behalf of the Department of Transport as per the agreement. This is considered to be a principle and agent agreement. The details of the agreement is diclosed in Note

23. Licences and permits (exchange)

24. Licences and permits (non-exchange)

Licences and permits	235 698	488 483

25. Lease rentals on operating lease

Equipment		
Contractual amounts	2 504 313	2 013 618

Notes to the Financial Statements

Figures in Rand	2021	2020

26. Other revenue

Other income	832 720	366 165

The amount included in other revenue arising from exchanges of goods or services are as follows:		
Rates Clearence Certificates	261 018	16 807
Building Plans	232 964	110 380
Burial Fees	118 833	28 237
Encroachment Fees	111 482	93 380
Town Planning Fees	43 761	-
Building Plan Inspections	39 547	-
Admission Fees - Swimming Pool	12 426	94 625
Valuation Certificates	12 689	21 249
Tender Document Fee	-	872
Library - Photocopy Fees	-	615
	832 720	**366 165**

27. Investment & Bank Interest revenue

Interest revenue		
Bank & Call Accounts	2 034 775	2 009 211

28. Property rates

Rates received

Residential	156 452 309	135 220 947
Less: Income forgone	(54 685 506)	(34 795 048)
	101 766 803	100 425 899
Property rates - penalties imposed	-	32 074 729
	101 766 803	**132 500 628**

Valuations

Residential	3 220 803 120	1 937 333 500
Commercial	1 354 593 000	994 745 000
State	1 275 340 000	1 269 796 000
Municipal	283 953 000	199 152 000
Small holdings and farms	3 279 673 000	1 156 164 000
Communal Land	-	378 069 000
Public Benefit	185 586 000	96 450 000
NEMA	535 844 000	350 000 000
Public Service Infrastructure	297 074 000	274 458 000
	10 432 866 120	**6 656 167 500**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates will be due and payable in 12 equal or near instalments. Any rates that are not paid on the due dates will be subjected to interest at the rate of prime plus one percent per annum. The municipality decide not to levy interest on overdue accounts as a relief for residents due to COVID 19.

Figures in Rand	2021	2020

29. Government grants and subsidies

Operating grants		
Equitable share	224 585 000	176 729 134
EPWP Grant	2 082 000	2 149 000
Small Towns Grant	1 364 257	266 013
Municipal Disaster Recovery	-	1 222 000
Financial Management Grant	2 000 000	2 500 000
Library Grant	6 343 549	6 136 542
Spatial Development Framework Grant	167 900	1 275 675
Museum Grant	429 481	527 481
LED Grant	-	306 250
Sports Grant	-	21 608
	236 972 187	**191 133 703**
Capital grants		
National Electricification Grant	3 965 000	7 000 000
Municipal Infrastructure Grant	47 770 764	36 734 236
	51 735 764	**43 734 236**
	288 707 951	**234 867 939**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Small Towns Grant

Balance unspent at beginning of year	1 364 257	-
Current-year receipts	-	1 630 270
Conditions met - transferred to revenue	(1 364 257)	(266 013)
	-	**1 364 257**

Conditions still to be met - remain liabilities (see note 14).

Financial Management Grant

Balance unspent at beginning of year	-	321 764
Current-year receipts	2 000 000	2 500 000
Conditions met - transferred to revenue	(2 000 000)	(2 500 000)
Adjustments	-	(321 764)
	-	**-**

Conditions still to be met - remain liabilities (see note 14).

Municipal Infrastructure Grant

Balance unspent at beginning of year	926 764	-
Current-year receipts	46 844 000	37 661 000
Conditions met - transferred to revenue	(47 770 764)	(36 734 236)
	-	**926 764**

Conditions still to be met - remain liabilities (see note 14).

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

Notes to the Financial Statements

Figures in Rand	2021	2020

29. Government grants and subsidies (continued)

Provincial Library Grant

Balance unspent at beginning of year	240 461	604 572
Current-year receipts	6 105 000	6 298 000
Conditions met - transferred to revenue	(6 345 461)	(6 662 111)
	-	**240 461**

Conditions still to be met - remain liabilities (see note 14).

Expanded Public Work Programne

Current-year receipts	2 082 000	2 149 000
Conditions met - transferred to revenue	(2 082 000)	(2 149 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

Museum Grant

Current-year receipts	407 000	-
Conditions met - transferred to revenue	(407 000)	-
	-	-

Conditions still to be met - remain liabilities (see note 14).

National Youth Development Grant

Balance unspent at beginning of year	9 917	9 917
Conditions met - transferred to revenue	(9 917)	-
	-	**9 917**

Conditions still to be met - remain liabilities (see note 14).

Dalton Community Bridge Project

Current-year receipts	5 000 000	-

Conditions still to be met - remain liabilities (see note 14).

Spatial Development Framework Grant

Balance unspent at beginning of year	224 324	1 500 000
Conditions met - transferred to revenue	(167 900)	(1 275 676)
	56 424	**224 324**

Conditions still to be met - remain liabilities (see note 14).

EEDBS Transfer Grant

Current-year receipts	350 000	-

Conditions still to be met - remain liabilities (see note 14).

Notes to the Financial Statements

Figures in Rand	2021	2020

30. Employee related costs

Basic	111 116 189	112 770 548
Bonus	7 480 153	8 918 411
Medical aid - company contributions	8 486 199	9 071 823
UIF	939 044	965 288
SDL	938 665	1 134 031
Leave pay provision charge	(1 265 925)	2 126 236
Defined contribution plans	-	3 393 728
Overtime payments	5 437 205	3 949 450
Long-service awards	-	491 680
Acting allowances	315 155	130 479
Car allowance	5 120 292	5 305 259
Housing benefits and allowances	828 432	825 132
Cell phone Allowance	123 535	105 008
Pension Fund Contributions	18 281 049	18 440 598
Other Allowances	1 951 625	2 458 882
	159 751 618	**170 086 553**

Remuneration of municipal manager - Mr P S Mkhize

Annual Remuneration	647 651	647 651
Car Allowance	240 000	240 000
Contributions to UIF, Medical and Pension Funds	2 125	1 897
Housing Allowance	180 000	180 000
Cellphone Allowance	24 000	24 000
Subsistence & Travel	-	25 500
Skill & BC Levy	9 593	8 767
	1 103 369	**1 127 815**

The Municipal Manager was provided with two full-time body guards

Remuneration of chief finance officer - Mr S P Radebe

Annual Remuneration	584 713	584 713
Car Allowance	194 904	194 904
Contributions to UIF, Medical and Pension Funds	2 125	1 897
Cellphone Allowance	9 000	9 000
Skills and BC Levy	7 608	6 246
	798 350	**796 760**

Remuneration of General Manager Community - Ms Z M Ndlela

Annual Remuneration	614 523	614 523
Car Allowance	165 096	165 096
Contributions to UIF, Medical and Pension Funds	2 125	4 971
Cellphone Allowance	9 000	9 000
Skills and BC Levy	6 761	5 550
	797 505	**799 140**

Remuneration of General Manager Civil & Electrical - Ms Z R Zwane

Annual Remuneration	196 102	588 305
Car Allowance	60 000	180 000
Contributions to UIF, Medical and Pension Funds	595	4 096
Cellphone Allowance	3 000	9 000

Notes to the Financial Statements

Figures in Rand	2021	2020

30. Employee related costs (continued)

Subsistence and Travel	-	9 066
Skills and BC Levy	2 471	6 816
	262 168	**797 283**

The General Manager Civil & Electrical resigned on the 31 October 2020.

Remuneration of General Manager - Corporate - Mr N B Chotoo

Annual Remuneration	621 015	621 015
Car Allowance	310 508	310 508
Contributions to UIF, Medical and Pension Funds	2 125	3 663
Cellphone Allowance	9 000	6 000
Hosuing Allowance	72 452	72 452
Subsistence and Travel	-	42 650
Skills & BC Levy	9 621	-
	1 024 721	**1 056 288**

31. Remuneration of councillors

Mayor	418 883	588 447
Deputy Mayor	-	50 535
Mayoral Committee Members	3 468 111	3 328 931
Speaker	359 574	495 226
Councillors	8 466 286	8 922 150
	12 712 854	**13 385 289**

In-kind benefits

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

The Mayor has the use of Council owned vehicle for official duties.

The Mayor has 3 full-time bodyguards. The Speaker has 3 full-time bodygurads. The Chief Whip has 2 full-time bodyguards and 1 night security officer at his residence. The MPAC Chairperson has 1 full-time bodyguard. There are 7 Executive Committee Councillors with one body guard each.

The Deputy Mayor resigned on the 4 July 2019, and this position remains vacant.

32. Depreciation and amortisation

Property, plant and equipment	36 293 176	53 599 867

33. Finance costs

Non-current borrowings	-	275 412
Trade and other payables - Interest Paid	495 566	3 550 397
Finance leases	-	37 668
Interest Cost - Landfill	1 306 421	925 540
	1 801 987	**4 789 017**

34. Debt impairment

Contributions to debt impairment provision	2 556 251	(33 024 426)

Notes to the Financial Statements

Figures in Rand	2021	2020

35. Bulk purchases

Electricity - Eskom	186 778 543	169 318 336

Electricity losses

	Number 2020	Number 2019		
Units purchased	-	-	155 642 805	147 483 300
Units sold	-	-	(145 687 962)	(140 117 352)
Total loss	**-**	**-**	**9 954 843**	**7 365 948**
Comprising of:				
Technical losses	-	-	9 954 843	7 365 948
Percentage Loss:				
Technical losses	- %	- %	6 %	5 %

36. Contracted services

Presented previously		
Operating Leases	-	756 864
Outsourced Services		
Cleaning Services	909 712	-
Clearing and Grass Cutting Services	149 604	171 054
Hygiene Services	485 812	-
Meter Management	763 585	-
Security Services	27 082 783	25 002 815
Drivers Licence Cards	107 598	343 426
Consultants and Professional Services		
Business and Advisory	25 457 284	10 015 119
Infrastructure and Planning	167 750	-
Laboratory Services	240 000	-
Legal Cost	2 485 116	2 544 278
Contractors		
Electrical	5 863 314	2 420 381
Maintenance of Buildings and Facilities	13 737 899	5 019 165
Maintenance of Equipment	1 710 431	2 627 879
Maintenance of Unspecified Assets	946 389	-
Pest Control and Fumigation	611 892	375 731
Tracing Agents and Debt Collectors	-	533 378
	80 719 169	**49 810 090**

Notes to the Financial Statements

Figures in Rand	2021	2020

37. General expenses

Advertising	434 333	63 894
Auditors remuneration	2 489 868	4 027 638
Bank charges	398 620	629 232
Cleaning	1 079 422	1 634 325
Consumables	1 150 761	488 485
Entertainment	30 697	490 263
Insurance	2 861 615	2 634 831
Conferences and seminars	-	190 589
IT expenses	5 137 736	4 983 820
Motor vehicle expenses	2 112 055	1 348 853
Fuel and oil	3 448 524	3 107 708
Postage and courier	54 987	217 348
Printing and stationery	419 331	611 115
Subscriptions and membership fees	2 230 880	2 107 140
Telephone and fax	1 636 396	1 713 022
Training	173 757	79 740
Travel - local	241 805	555 553
Utilities - Water Account	3 430 181	9 047 429
Uniforms	1 041 838	1 511 014
Other General Expenses	6 004 586	10 835 424
	34 377 392	**46 277 423**

38. Auditors' remuneration

Fees	2 489 868	4 027 638

39. Cash generated from operations

Surplus	143 086 651	140 810 513
Adjustments for:		
Depreciation and amortisation	36 293 176	53 599 867
Gain on sale of assets and liabilities	-	1 093 380
Debt impairment	2 556 251	(33 024 426)
Movements in provisions	(16 703 258)	(1 824 203)
Actuarial gains/losses	(14 942 409)	(7 860 999)
Inventory write-off	34 826	-
Contribution define benefits obligations	10 174 045	10 781 000
Contribution to staff leave	3 688 269	358 539
Changes in working capital:		
Inventories	(792 810)	312 255
Receivables from exchange transactions	(14 860)	(112 747)
Consumer debtors	(447 233)	(48 614 671)
Other receivables from non-exchange transactions	(17 872 367)	(62 472 592)
Payables from exchange transactions	(21 903 699)	(22 012 198)
VAT	14 469 570	(914 119)
Unspent conditional grants and receipts	(1 710 437)	732 119
Consumer deposits	261 641	(28 589)
Employee Benefit Obligation	2 299 129	1 452 420
	138 476 485	**32 275 549**

Notes to the Financial Statements

Figures in Rand	2021	2020

40. Contingencies

Following Litigations are in process against the municipality. Details and the merits of each case is maintained with the Municipality Legal Service Department. Where no claims are reflecetd as at 30 June 2021, these matters have sinnce been finalised.

		2021	2020
T.O. Vilakazi		-	6 862 500.00
Gerry's Motors CC		-	133 550.64
SADC Advertising CC		-	132 377.84
KHL Holdings (pty) Ltd		-	140 297.35
Harvey World Travel		-	51 997.47
SADC Advertising CC		-	130 741.99
Stasitha Business Enterprise (pty)Ltd		-	127 516.00
AARIA Consulting (PTY) Ltd		6 738 732.00	6 098 400.00
Ndlala Mass Valuation		1 597 165.83	1 445 398.94
A1 Electric		558 370.92	505 313.05
Caiphas Buthelezi		-	72 455.61
Nonjiko Security Services		1 248 387.67	1 248 387.67
MT SILINDA		-	7 886 263.55
Ngomfo Security Services		16 994 762.52	16 994 762.52
Sydwalt Projects (pty) LTD		1 635 679.47	1 635 679.47
DM ITC SERVICES		-	135 814.81
Sasami (pty) Ltd		-	72 811.80
Treated Timber Products (pty) Ltd		177 365.44	177 365.44
Natal Joint Municipal Pension Fund		6 219 347.45	6 219 347.45
Veez Micro Enterprises (pty) Ltd		-	549 246.15
Mtungwa Funeral Services		1 013 527.06	1 013 527.06
Natal Joint Municipal Pension Fund		4 207 788.42	4 207 788.42
AARIA Consulting (PTY) Ltd		1 126 069.48	1 126 069.48
TL Engineering		-	12 254 225.03
Jaichand Sivanath		15 116.62	15 116.62
Silver Flame Trading		-	-
RSI Vihicle Hire		139 650.00	139 650.00
Human Communication (PTY)		-	83 428.44
Superpatch Sales & Marketing		-	163 232.23
Romachem Supplies cc		-	97 471.68
Moreka Motsatse		2 380 614.56	2 380 614.56
Natal Joint Municipal Pension Fund		626 863.83	626 863.83
KwaQopha (PTY) Ltd		55 610.00	-
kwanele Nkabinde		100 000.00	-
Sheroma Bihaspat		12 330.00	-
	-	**44 847 381.27**	**72 728 215.10**

Contingent assets

The Municipality had the following Contingent asset as at 30 June 2021. The matter related to the overpayment to MT Silinda Attorneys of R 585 912.80. The matter was pending summons at the time of reporting.

41. Unauthorised expenditure

	2021	2020
Opening balance as previously reported	114 588 648	42 179 998
Opening balance as restated	**114 588 648**	**42 179 998**
Add: Expenditure identified - current	-	73 630 535
Less: Approved/condoned/authorised by council	(42 179 998)	(1 221 885)
Closing balance	**72 408 650**	**114 588 648**

Figures in Rand	2021	2020

42. Fruitless and wasteful expenditure

Opening balance as previously reported	36 472 186	36 472 186
Opening balance as restated	**36 472 186**	**36 472 186**
Add: Expenditure identified - current	681 446	1 811 088
Add: Expenditure identified - prior period	284 052	-
Less: Amounts recoverable - current	-	(1 811 088)
Closing balance	**37 437 684**	**36 472 186**

43. Irregular expenditure

Opening balance as previously reported	218 248 817	211 124 334
Opening balance as restated	**218 248 817**	**211 124 334**
Add: Irregular Expenditure - current	28 845 864	27 761 132
Add: Irregular Expenditure - prior period	-	10 598 807
Less: Amount written off - current	(7 830 355)	(31 235 456)
Closing balance	**239 264 326**	**218 248 817**

44. Deviation from supply chain management regulations

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

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

The current deviations related to various expenditure due to emergencies COVID 19 and other service delivery emergencies, making it impossible to follow the procurement process. A detailed register of all deviations is maintained by the Municipality.

Deviations from supply chain management regulations less than R 200 00 threshold

Various Deviations	1 448 321	995 032

Deviation from supply chain management regulations greater than R 200 000 threshold

Workwear Depot Durban - Provision of Uniforms	-	382 666
Prime Electrical	-	500 999
Actom Electrical	512 871	-
Thesani Trading	385 250	-
	898 121	**883 665**

45. Segment information

General information

Identification of segments

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

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

45. Segment information (continued)

Aggregated segments

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

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Electricity	Infrastructure is interrelated and similar in delivery to the consumer
Refuse	Infrastructure is interrelated and similar in delivery to the consumer

46. Budget differences

47. Accounting by principals and agents

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

Details of the arrangment(s) is|are as follows:

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

Entity as agent

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

During the financial year, the municipality received funds totalling R 109 320 244. The municipality has incurred expenditure of R 115 661 140 during the financial year, resulting in an over-expenditure at year end of R 3 920 824. Due to the monies being received in accordance with an agreement with the Department of Human Settlements, as well as the conditions in which the funds received may be utilised, the over-expenditure is disclosed in the Note for unspent grants and subsidies The over-expenditure will be re-imbursed by the Department of Housing.

Revenue recognised

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

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

The resources have been recognised/have not been recognised by the agent in its financial statements. [Choose as appropriate]

The remittance of resources during the period [State details].

The expected timing of remittance of remaining resources by the agent to the entity, are [State timing and details].

The expected timing of remittance of remaining resources by the agent to third parties, are [State timing and details].

Resource or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

47. Accounting by principals and agents (continued)

Fee paid

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

48. Commitments

Authorised capital expenditure

	2021	2020
Already contracted for but not provided for		
• Property, plant and equipment	6 734 864	45 374 814
Total capital commitments		
Already contracted for but not provided for	6 734 864	45 374 814

This committed expenditure relates to plant and equipment and will be financed by Conditional Grants received from National Treasury in the form of Municipal Infrastructure Grant (MIG)

49. Related parties

The municipality had no related parties disclosure as at 30 June 2021.

50. Prior period errors

Property, plant and equipment were depreciated at the tax rates. The useful lives and residual values were not appropriately considered. (Give the nature of the error.)

The correction of the error(s) results in adjustments as follows:

51. Comparative figures

Certain comparative figures have been reclassified, due to misclassifications in the 30 June 2020.

52. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 943 115 981 and that the municipality's total assets exceed its liabilities by R 943 115 981.

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

Figures in Rand	2021	2020

52. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the sound financial management will remain in force for so long as it takes to maintain the solvency of the municipality.
During the financial year ending 30 June 2021, the world experience a pandemic disease called Covid-19 of which the Municipality had to comply with the disaster management preventive measures and procedures as addressed by the President of the Republic of South Africa on 25 March 2020. This resulted in the closure of the municipality due to infections within the work space.

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

The revenue collection on fines, penalties, service charges, licenses and permits are a few of the income streams which were affected due to the pandemic.
The pandemic has affected all customers of the municipality, uncertainty on whether the customers will be able to settle their accounts on time.
Management has further considered the impact, should the rate of Covid-19 infections increase in the near future, and in respond to this, the government of South Africa has increased funding support in terms of grants and equitable share which will be used by the municipality to overcome the negative impact of Covid-19 on the municipal operations. The additional allocations will therefore assist the municipality in maintaining cashflow levels to fund service delivery in future.

The municiplaity is also under administration in terms of Section 139 of the Constitution and Section 137 of the MFMA which was initiated by COGTA to assist the Municipality with its improvement of cashflow.

53. Events after the reporting date

There are no events after reporting date.

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	3 372 686
Current year subscription / fee	1 821 929	2 313 556
Amount paid - current year	(1 821 929)	(2 313 556)
Amount paid - previous years	-	(3 372 686)
	-	**-**

Audit fees

Opening balance	1 668 654	1 240 346
Current year subscription / fee	4 416 671	5 377 379
Amount paid - current year	(6 072 654)	(4 949 071)
	12 671	**1 668 654**

PAYE and UIF

Opening balance	1 766 585	20 004 046
Current year subscription / fee	20 705 272	(18 237 461)
Amount paid - current year	(19 859 462)	-
	2 612 395	**1 766 585**

Notes to the Financial Statements

Figures in Rand	2021	2020

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

Pension and Medical Aid Deductions

	2021	2020
Opening balance	3 099 188	22 868 598
Current year subscription / fee	35 569 794	(19 769 410)
Amount paid - current year	(38 668 982)	-
	-	**3 099 188**

Councillors' arrear consumer accounts

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

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
T M Mvelase	770	-	770
M Khayile	5 522	-	5 522
J Mbele	21 339	-	21 339
N Hlongwane	4 359	-	4 359
	31 990	**-**	**31 990**

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
T M Mvelase	474	734	1 208
H Hlongwane	3 364	10 532	13 896
M Khanyile	847	-	847
J M Mbhele	7 269	4 788	12 057
N F Dlangalala	2 901	1 239	4 140
	14 855	**17 293**	**32 148**