Service Delivery beyond expectation

Alfred Duma Local Municipality
(Registration number KZN 238)
Annual Financial Statements
for the year ended 30 June 2021

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	The primary function of Alfred Duma Local Municipality is to provide basic services i.e. electricity, refuse, roads and stormwater facilities within the municipality's jurisdiction.
Mayoral committee	
Executive Mayor	Mayiboyi Vincent Madlala
Speaker	Themba Wiseman Ngubane
Deputy Mayor	Thulile Hadebe
Chief Whip	Themba Benedict Njapha
Executive Committee	Ntaoleng Agnes Khanyile Thulile Hadebe Louis Sabelo Madinane Andile Mchunu Sthandiwe Zamandlondlo Praiseworth Msibi Themba Wiseman Ngubane Sizwe Simelane Abbas Sheik Dawood Warrasaly Michael Rodney Suddaby
Grading of local authority	4
Accounting Officer	S S Ngiba
Acting Chief Finance Officer (CFO)	R Jhetam
Registered office	Lister Clarence Building 221 Murchison Street Ladysmith 3370
Business address	Lister Clarence Building 221 Murchison Street 3370
Postal address	PO Box 29 Ladysmith Kwazulu-Natal 3370
Bankers	ABSA - Public Sector Banking
Auditors	Office of the Auditor General Registered Auditors

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

DOHS	Department of Human Settlements
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
MSCOA	Municipal Standard Chart of Accounts
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
COGTA	Cooperative Governance and Traditional Affairs
COVID	Corona Virus Disease
INEP	Integrated National Electrification Program
LUMS	Land Use Management System
MDRG	Municipal Disaster Recovery Grant
MCPF	Municipal Councillors Pension Fund
NER	National Electricity Regulator
NJMPF	Natal Joint Municipal Pension Fund

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MHOA	Municipal Housing Operating Account
SDL	Skills Development Levy
VAT	Value Added Taxation

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The municipality is wholly dependent on the income from services, propery rates and grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intentio nor the need to liquidate or curtail materially the scale of the municipality.

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

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the Accounting Officer on 15 September 2021 and were signed on its behalf by:

Accounting Officer
Ms S S Ngiba

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	454,742,914	374,719,359
Receivables from non-exchange transactions	9	231,644,235	181,241,081
Receivables from exchange transactions	8	82,937,077	67,807,324
Inventories	7	149,866,599	151,949,075
VAT receivable	10	434,514	5,366,835
		919,625,339	781,083,674
Non-Current Assets			
Investment property	3	82,805,540	80,786,544
Property, plant and equipment	4	1,932,475,848	1,934,295,342
Intangible assets	5	2,572,910	3,445,965
Heritage assets	6	21,350,526	21,502,526
Receivables from exchange transactions		1,147	5,217
		2,039,205,971	2,040,035,594
Total Assets		2,958,831,310	2,821,119,268
Liabilities			
Current Liabilities			
Long term loans	17	682,362	673,256
Finance lease obligation	14	862,051	-
Payables from exchange transactions	11	219,498,144	205,639,478
Consumer deposits	12	18,940,304	19,203,513
Employee benefit obligation	15	4,595,000	4,573,000
Unspent conditional grants and receipts	13	44,799,145	66,477,515
Provisions	16	1,111,331	943,064
		290,488,337	297,509,826
Non-Current Liabilities			
Long term loans	17	4,187,532	4,866,918
Finance lease obligation	14	1,850,853	-
Employee benefit obligation	15	67,652,999	64,574,999
Provisions	16	67,721,185	66,258,613
		141,412,569	135,700,530
Total Liabilities		431,900,906	433,210,356
Net Assets		2,526,930,404	2,387,908,912
Reserves			
Housing Operating Account	18	39,083,511	36,767,674
Accumulated surplus	19	2,487,846,893	2,351,141,238
Total Net Assets		2,526,930,404	2,387,908,912

Alfred Duma Local Municipality
(Registration number KZN 238)
Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	407,934,106	383,770,802
Sale of goods and rendering of services	31	2,036,215	2,226,951
Rental of facilities and equipment	25	2,030,996	2,656,192
Interest received - receivables from exchange transactions	22	9,368,211	7,952,167
Agency services	27	2,831,162	2,483,423
Licences and permits	28	2,395,338	2,003,532
Operational revenue	30	3,005,128	9,109,570
Interest received - investment	23	14,140,533	18,440,395
Fair value adjustments		2,018,996	16,596,616
Actuarial gains		1,663,115	4,575,325
Increase in inventory net realisable value		800,601	8,617,020
Total revenue from exchange transactions		**448,224,401**	**458,431,993**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	209,190,099	205,255,938
Property rates - penalties imposed	20	33,185,911	25,213,814
Transfer revenue			
Government grants & subsidies	24	394,630,035	331,632,507
Public contributions and donations	43	3,460,710	-
Fines, Penalties and Forfeits	26	10,332,856	10,879,431
Total revenue from non-exchange transactions		**650,799,611**	**572,981,690**
Total revenue		**1,099,024,012**	**1,031,413,683**
Expenditure			
Employee related costs	33	(334,947,742)	(335,667,400)
Remuneration of councillors	34	(26,427,751)	(26,424,601)
Depreciation and amortisation	39	(91,854,508)	(114,140,371)
Impairment on cash and non-cash generating assets	40	(152,000)	(12,994,425)
Finance costs	37	(914,215)	(428,256)
Lease rentals on operating lease	29	(1,757,074)	(1,556,296)
Debt Impairment	42	(62,817,180)	(90,888,150)
Bulk purchases	36	(275,456,200)	(252,504,476)
Contracted services	35	(66,946,313)	(81,203,982)
Transfers and Subsidies	41	(10,379,409)	(9,461,441)
Loss on disposal of assets and liabilities		(4,725,681)	(6,886,844)
Inventory consumed		(14,708,547)	(13,255,344)
Operational cost	38	(70,689,028)	(66,343,606)
Total expenditure		**(961,775,648)**	**(1,011,755,192)**
Surplus for the year		**137,248,364**	**19,658,491**

Statement of Changes in Net Assets

Figures in Rand	Housing Operating Account	Accumulated surplus	Total net assets
Opening balance as previously reported	33,066,346	2,355,294,341	2,388,360,687
Adjustments			
Correction of errors	-	(23,162,319)	(23,162,319)
Balance at 01 July 2019 as restated*	**33,066,346**	**2,332,132,022**	**2,365,198,368**
Changes in net assets			
Transfer to Self-Insurance Fund	-	(649,275)	(649,275)
Transfer to Housing Operating Account	3,701,328	-	3,701,328
Net income (losses) recognised directly in net assets	3,701,328	(649,275)	3,052,053
Surplus for the year	-	19,658,491	19,658,491
Total recognised income and expenses for the year	3,701,328	19,009,216	22,710,544
Total changes	3,701,328	19,009,216	22,710,544
Restated* Balance at 01 July 2020	**36,767,674**	**2,351,141,238**	**2,387,908,912**
Changes in net assets			
Proceeds transferred to gains/losses on sale of land	-	(532,929)	(532,929)
Net income (losses) recognised directly in net assets	-	(532,929)	(532,929)
Surplus for the year	-	137,248,364	137,248,364
Total recognised income and expenses for the year	-	136,715,435	136,715,435
Proceeds received to the Housing Operating Account	2,619,077	-	2,619,077
Utilsation of the Housing Operating Account	(303,240)	-	(303,240)
Net movement of the Self Insurance Fund	-	(9,780)	(9,780)
Total changes	2,315,837	136,705,655	139,021,492
Balance at 30 June 2021	**39,083,511**	**2,487,846,893**	**2,526,930,404**

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Taxation		163,577,192	167,167,347
Sale of goods and services		395,319,145	370,020,163
Grants and subsidies		423,253,202	373,963,392
Interest received on investments and bank accounts		17,272,721	23,071,128
		999,422,260	934,222,030
Payments			
Employee costs		(353,913,790)	(350,275,200)
Suppliers		(477,116,025)	(430,491,005)
Finance costs		(914,216)	(428,255)
		(831,944,031)	(781,194,460)
Net cash flows from operating activities	44	**167,478,229**	**153,027,570**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(86,511,194)	(79,970,587)
Proceeds from sale of property, plant and equipment	4	159,100	270,886
Purchase of other intangible assets	5	(170,987)	(481,946)
Net cash flows from investing activities		**(86,523,081)**	**(80,181,647)**
Cash flows from financing activities			
Finance lease payments		(261,313)	-
Repayment of long term loans		(670,280)	(626,096)
Net cash flows from financing activities		**(931,593)**	**(626,096)**
Net increase/(decrease) in cash and cash equivalents		**80,023,555**	**72,219,827**
Cash and cash equivalents at the beginning of the year		374,719,359	302,499,532
Cash and cash equivalents at the end of the year	2	**454,742,914**	**374,719,359**

Alfred Duma Local Municipality

(Registration number KZN 238)
Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actuals

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Property rates	203,303,292	5,032,999	208,336,291	-		208,336,291	209,190,099		853,808	100 %	103 %
Service charges	430,646,148	(18,468,353)	412,177,795	-		412,177,795	407,934,108		(4,243,687)	99 %	95 %
Investment revenue	15,009,408	(2,763,803)	12,245,605	-		12,245,605	14,140,533		1,894,928	115 %	94 %
Transfers recognised - operational	268,563,000	51,056,755	319,619,755	-		319,619,755	318,173,638		(1,446,117)	100 %	118 %
Other own revenue	58,681,428	5,123,810	63,805,238	-		63,805,238	67,905,547		4,100,309	106 %	116 %
Total revenue (excluding capital transfers and contributions)	**976,203,276**	**39,981,408**	**1,016,184,684**	**-**		**1,016,184,684**	**1,017,343,925**		**1,159,241**	**100 %**	**104 %**
Employee costs	(361,383,540)	1,278,364	(360,105,176)	-	-	(360,105,176)	(333,284,627)	-	26,820,549	93 %	92 %
Remuneration of councillors	(30,447,888)	1,128,919	(29,318,969)	-	-	(29,318,969)	(26,427,751)	-	2,891,218	90 %	87 %
Debt impairment	(77,229,840)	(22,309,524)	(99,539,364)			(99,539,364)	(62,817,179)	-	36,722,185	63 %	81 %
Depreciation and asset impairment	(164,101,308)	21,013,028	(143,088,280)			(143,088,280)	(92,006,507)	-	51,081,773	64 %	56 %
Finance charges	(569,340)	102,304	(467,036)	-	-	(467,036)	(914,215)	-	(447,179)	196 %	161 %
Materials and bulk purchases	(313,282,764)	7,683,085	(305,599,679)	-	1,521,150	(304,078,529)	(290,164,743)	-	13,913,786	95 %	93 %
Transfers and grants	(10,028,436)	-	(10,028,436)	-	(355,000)	(10,383,436)	(10,379,409)	-	4,027	100 %	103 %
Contracted services	(50,356,380)	(13,284,553)	(63,640,933)	-	(1,726,480)	(65,367,413)	(66,946,316)	-	(1,578,903)	102 %	133 %
Other expenditure	(96,594,180)	(5,567,164)	(102,161,344)	-	560,330	(101,601,014)	(77,071,547)	-	24,529,467	76 %	80 %
Total expenditure	**(1,103,993,676)**	**(9,955,541)**	**(1,113,949,217)**	**-**	**-**	**(1,113,949,217)**	**(960,012,294)**	**-**	**153,936,923**	**86 %**	**87 %**
Surplus/(Deficit)	**(127,790,400)**	**30,025,867**	**(97,764,533)**	**-**		**(97,764,533)**	**57,331,631**		**155,096,164**	**(59)%**	**(45)%**

Statement of Comparison of Budget and Actuals

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	62,214,012	14,942,373	77,156,385	-		77,156,385	76,456,397		(699,988)	99 %	123 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	3,460,710		3,460,710	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**(65,576,388)**	**44,968,240**	**(20,608,148)**	**-**		**(20,608,148)**	**137,248,738**		**157,856,886**	**(666)%**	**(209)%**
Surplus/(Deficit) for the year	**(65,576,388)**	**44,968,240**	**(20,608,148)**	**-**		**(20,608,148)**	**137,248,738**		**157,856,886**	**(666)%**	**(209)%**
Capital expenditure and funds sources											
Total capital expenditure	76,301,520	24,015,282	100,316,802	-		100,316,802	94,214,753		(6,102,049)	94 %	123 %
Sources of capital funds											
Transfers recognised - capital	62,214,004	14,942,369	77,156,373	-		77,156,373	77,042,428		(113,945)	100 %	124 %
Public contributions and donations	-	-	-	-		-	3,456,200		3,456,200	DIV/0 %	DIV/0 %
Internally generated funds	14,087,516	9,072,925	23,160,441	-		23,160,441	13,716,125		(9,444,316)	59 %	97 %
Total sources of capital funds	**76,301,520**	**24,015,294**	**100,316,814**	**-**		**100,316,814**	**94,214,753**		**(6,102,061)**	**94 %**	**123 %**

Alfred Duma Local Municipality

(Registration number KZN 238)
Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actuals

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	114,142,926	38,483,513	152,626,439	-		152,626,439	167,478,229		14,851,790	110 %	147 %
Net cash from (used) investing	(72,901,516)	(67,551,774)	(140,453,290)	-		(140,453,290)	(86,523,081)		53,930,209	62 %	119 %
Net cash from (used) financing	(1,907,756)	1,054,503	(853,253)	-		(853,253)	(931,593)		(78,340)	109 %	49 %
Net increase/(decrease) in cash and cash equivalents	**39,333,654**	**(28,013,758)**	**11,319,896**	-		**11,319,896**	**80,023,555**		**68,703,659**	**707 %**	**203 %**
Cash and cash equivalents at the beginning of the year	271,092,476	103,626,885	374,719,361	-		374,719,361	374,719,359		(2)	100 %	138 %
Cash and cash equivalents at year end	**310,426,130**	**75,613,127**	**386,039,257**	-		**386,039,257**	**454,742,914**		**(68,703,657)**	**118 %**	**146 %**

Accounting Policies

Figures in Rand	Note(s)	2021	2020

1. Presentation of Annual Financial Statements

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

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

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

Accounting Policies

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

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

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

IGRAP 19 Liabilities to Pay Levies
IGRAP 20 Accounting for Adjustments to Revenue

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

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

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

Receivables from exchange and non-exchange transactions

The municipality assesses its trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for trade and other receivables is calculated on an individual and group portfolio basis, based on historical collection levels and other indicators present at the reporting date that correlate with relevant portfolio.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of 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 Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

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

Useful lives of infrastructure and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the infrastructure and other assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Allowance for doubtful debts

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Recognition and Derecognition of Land

In some instances the entity is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follows:
- Whether the municipality can direct the use of the land's future economic benefits or service potential to provide services o beneficiaries
- Whether the municipality can exchange, dispose of, or transfer the land; and/or
- Whether the municipality can use the land in any other way to generate future economic benefits or service potential

Where the municipality uses the land to provide future economic benefits or service potential while another entity has the right to exchange, dispose of, or transfer the land, the municipality shall assess its ability to exercise the right to exchange, dispose of, or transfer the land to determine if it is able to direct or restrict or deny access to the land.

When a municipality directs the use of the land to provide services to beneficiaries, either itself or through directing another entity to provide specific services, the municipality will conclude that it has the right to direct access to land and to restrict or deny access of others to land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follows:
- Whether another entity can direct the use of the land's future economic benefits or service potential to provide services to beneficiaries
- Whether another entity can exchange, dispose of, or transfer the land; and/or
- Whether another entity can use the land in any other way to generate future economic benefits or service potential

An entity may be granted a right to use the land for a period of time. Control of the land will be demonstrated if the entity has substantive rights to the land that enable it to direct access to the land, or to restrict or deny the access of others to land. For the entity to demonstrate control, the right of use needs to be for an unlimited period of time and the entity should have other substantive rights that enable it to direct access to the land, or to restrict or deny the access of others to the land. In the absence of the municipality demonstrating that it has granted the right to direct access to and restrict or deny access of others to the land to another entity, the legal owner controls the land as it retains the right to direct access to land, and to restrict or deny the access of others to land.

Additional information is disclosed in Note

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied in determining whether the municipality is an agent are as follows:

a) It does not have the power to determine the significant terms and conditions of the transaction.

For an municipality to be an agent, it must not have the power to determine the significant terms and conditions of the transactions with third parties. This means that it should not have the power to affect the result of the transaction. The result of a transaction is the economic benefits or service potential (or both) that arise from that transaction. The economic benefits or service potential can therefore be quantitative or qualitative.

The quantitative result of a transaction represents the monetary amount of a transaction and could include:
- The amount paid by the third party for a good or a service received, or the amount of any tax, levy or other charge paid
- The amount paid to the third party for goods and services procured, or benefits paid as part of a non-exchange transaction, e.g. a social benefit.

The qualitative result of a transaction could include:
- The quality of a particular good or service received by the third party.
- The administrative efficiency with which a specific transaction or activity should be performed.
- The volume of a good or service provided to the third party

The municipality does not have the power to determine the significant terms and conditions of transactions with third parties if it is not able to decide, for example, the following aspects, but not limited to:
- What goods and services should be provided to, or procured from, third parties: or what taxes, levies or other charges should be levied on, or payments made to, third parties.
- To whom goods and services should be provided, or from whom goods and services should be procured; or on whom taxes, levies or other charges should be levied, or to whom payments should be made. This does not require the identification of specific individual third parties, and could be groups of affected third parties.
- The price to be paid by third parties, or agree on the price to be paid to third parties; or the amount of tax, levies or other charges to be paid by, or the amount of payments to be made to, third parties.
- The quality of the goods and services provided to, or received from, third parties. This may be less relevant to transactions that relate to taxes, levies, charges received by, or payment by or to, third parties

b) It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit

The types of resources that result from transactions with third parties could vary depending on the activities that are to be undertaken in terms of the binding arrangement. The resources that could result from transactions with third parties include:
- Receipts related to specific goods and services provided, or taxes, levies and other charges.
- Disbursements for specific goods and services procured to enable the execution of the transactions with third parties. The goods and services procured could also result in inventory.
- The municipality must not have the ability to use all, or substantially all, of the resources that result from the transactions with third parties. Where the municipality retains a portion of the revenue collected as a fee, e.g. a commission, or administration or transaction fee, for the service provided, this fee is usually nominal in relation to the total revenue collected, and as a result, the municipality would not have the ability to use all or substantially all of the resources that result from the transaction.

1.4 Significant judgements and sources of estimation uncertainty (continued)

c) It is not exposed to variability in the results of the transaction:
A municipality is exposed to variability in the results of the transaction when it has exposure to both the positive and negative results associated with that transaction, and these exposures are not limited or fixed. There may be a number of factors that the municipality considers in determining whether it is exposed to the variability in the results of transactions. The municipality's exposure to the variability in the results of a transaction are usually limited if:
- Another party is responsible for fulfilling the rights and obligations established in the binding arrangement. For example, if the provision of a certain good or service is the responsibility of a specific type of entity in legislation, then it is likely that recipients of that good or service will look to that entity for delivery of those goods or services.
- The municipality has limited inventory risk, i.e. the risk of theft, obsolescence or other losses, as well as changes in value.
- The municipality receives a fixed fee or a fixed margin, e.g. commission, or administration or transaction fee, for carrying out the transactions.
- The municipality is not exposed to significant default risk, i.e. the risk of fees, taxes, levies or other charges not being paid by third parties.

Additional information is disclosed in Note 54.

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 Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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.

Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

(a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or

(b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for 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.

Fair value

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

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

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

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

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

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

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

1.5 Investment property (continued)

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

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:
• All properties held to earn market related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
• Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner occupied property or for short term sale in the ordinary course of business. the land is regarded as held for capital appreciation);
• Property that is being constructed or developed for future use as investment property;
• A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases; and
• A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment or Inventory as appropriate:
• Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
• Property being constructed or developed on behalf of third parties;
• Owner occupied property. including (among other things) property held for future use as owner occupied property. property held for future development and subsequent use as owner?occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner occupied property awaiting disposal;
• Property that is leased to another entity under a finance lease;
• Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
• Property held for strategic purposes or service delivery.

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

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

1.6 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.

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

Accounting Policies

1.8 Intangible assets (continued)

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
Servitudes	Straight-line	Indefinite
Computer software, other	Straight-line	2 - 10 years

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

1.9 Heritage assets

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

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

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

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

1.9 Heritage assets (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

Accounting Policies

1.9 Heritage assets (continued)

Impairment

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

Transfers

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

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

Derecognition

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

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

1.10 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

1.10 Financial instruments (continued)

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

Accounting Policies

1.10 Financial instruments (continued)

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

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at amortised cost

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

Class	Category
Long term liabilities	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at amortised cost

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

Accounting Policies

1.11 Statutory receivables (continued)

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

1.11 Statutory receivables (continued)

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

Derecognition

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

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

1.12 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.

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.

Accounting Policies

1.13 Inventories (continued)

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.

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.

1.14 Impairment of cash-generating assets (continued)

Designation

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

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

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

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.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

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

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.14 Impairment of cash-generating assets (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.

Accounting Policies

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.

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

Redesignation

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

1.16 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.

1.16 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

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

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

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

Insured benefits

Where the entity pays insurance premiums to fund a post-employment benefit plan, the entity treats such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation to either:

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

Post-employment benefits: Defined contribution plans

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

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

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

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

Accounting Policies

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 annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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

- 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.

Other post retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.16 Employee benefits (continued)

Termination benefits

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

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

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

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

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

1.17 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of 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 51.

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 Provisions and contingencies (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.

Accounting Policies

1.17 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

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

1.19 Revenue from exchange transactions (continued)

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 .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method 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.

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

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

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

1.20 Revenue from non-exchange transactions

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

1.20 Revenue from non-exchange transactions (continued)

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

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

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

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

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, 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.

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Measurement

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

Taxes

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

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

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

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

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

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

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

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

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

Transfers

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

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

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

Accounting Policies

1.20 Revenue from non-exchange transactions (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.

Gifts and donations, including goods in-kind

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

1.21 Investment income

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

1.22 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.

1.23 Accounting by principals and agents

1.23 Accounting by principals and agents (continued)

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Accounting Policies

1.23 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.

1.24 Comparative figures

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

1.25 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).

1.26 Fruitless and wasteful expenditure

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

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

1.27 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).

1.28 Housing development fund

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

1.29 Internal reserves

Self-insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (adapt to specific circumstances). The balance of the Self-Insurance Reserve is determined based on 5% of the insurance risk carried by the municipality (state basis of determining balance of self-insurance reserve) and past claims history in terms of a Council Resolution XX and is reinstated or increased by a transfer from the accumulated surplus/(deficit). The balance of the self-insurance fund is invested in short-term cash investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between premiums charged against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

Premiums are calculated on past claims experienced and are charged to the various Clusters.

The balance of the self-insurance fund is fully cash backed and is invested in fixed and negotiable deposits.

1.30 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.

1.30 Segment information (continued)

Measurement

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

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

1.31 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 2010/04/01 to 2011/03/31.

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

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

1.32 Related parties

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

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

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

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

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

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

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

Accounting Policies

1.32 Related parties (continued)

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

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

1.33 Events after reporting date

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

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

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

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

Figures in Rand	2021	2020

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	83,060	83,060
Bank and call accounts	241,774,991	253,786,578
Short-term investments	212,884,863	120,849,721
	454,742,914	**374,719,359**

The municipality had the following bank accounts, which has been reported as bank and call accounts:

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA Bank - Current Account (Primary Bank Account) - 4071756088	38,224,114	24,966,298	42,526,947	27,038,544	17,829,478	35,800,818
ABSA Bank - General Call Account - 9207051716	74,018,608	85,154,198	79,699,095	74,018,608	85,154,198	79,699,094
ABSA Bank - Housing Grants Call Account - 9207052314	43,677,072	39,116,178	42,047,518	43,677,072	39,116,178	42,047,518
ABSA Bank - Grant Funds Call Account - 9207054081	42,593,409	59,866,746	50,901,500	42,593,409	59,866,746	50,901,499
ABSA Bank - Ladysmith Black Mambazo Call Account - 9236410696	-	-	2,004,740	-	-	2,004,740
ABSA Bank - Self-Insurance Fund Call Account - 9251267674	14,719,647	14,206,791	13,813,732	14,719,647	14,206,791	13,813,733
ABSA Bank - Housing Operating Call Account - 9274469611	38,934,130	36,618,293	33,066,347	38,934,130	36,618,293	33,066,347
ABSA Bank - Housing Capacity Fund Call Account - 9285122301	793,581	987,895	4,850,541	793,581	987,895	4,850,541
Total	**252,960,561**	**260,916,399**	**268,910,420**	**241,774,991**	**253,779,579**	**262,184,290**

Guarantee Held on Primary Account
The Municipality has a guarantee of R120 000 held in favour of The South African Post Office.

Short Term Investments:
The municipality invests in short term investment accounts, a summary of cash book balances have been indicated below:

Summary of cash book balances on investment accounts:

ABSA	70,933,014	20,040,658
First National Bank	20,332,164	20,034,214
Nedbank	70,998,795	40,701,589
Standard Bank	50,620,890	40,073,260
	212,884,863	**120,849,721**

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	82,805,540	-	82,805,540	80,786,544	-	80,786,544

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	80,786,544	2,018,996	82,805,540

Reconciliation of investment property - 2020

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	64,138,620	(727,790)	17,375,714	80,786,544

Investment property in the process of being constructed or developed

There is no investment property in the process of being constructed or developed.

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

Figures in Rand	2021	2020

3. Investment property (continued)

Investment properties have been valued in accordance with the municipal valuation roll and have been adjusted to take into account current market conditions, and other special assumptions depending on the category of property.

The last effective date of the fair value adjustments was June 2021. The valuations were performed by a Professional Valuer. The valuation was based on the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The municipal valuer has extensive experience in the location and category of investment property valued with the necessary qualifications.

The municipal valuer has also indicated that a material uncertainty exists in the valuation of the properties due to insufficient information being available due to the impact of COVID-19.

The full valuation report as at 30 June 2021 is available on request

Amounts recognised in surplus or deficit

There were no direct expenses related to investment property, including repairs and maintenance, for this financial period

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	519,538,913	-	519,538,913	519,541,748	-	519,541,748
Buildings	123,315,631	(84,906,469)	38,409,162	115,320,847	(84,139,894)	31,180,953
Infrastructure: Stormwater	188,234,359	(43,796,831)	144,437,528	180,698,779	(41,766,483)	138,932,296
Infrastructure: Electricity	386,623,441	(163,105,795)	223,517,646	367,691,408	(156,288,749)	211,402,659
Infrastructure: Solid waste	68,148,052	-	68,148,052	66,685,480	-	66,685,480
Infrastructure: Roads	1,824,817,587	(1,184,400,998)	640,416,589	1,794,320,670	(1,120,818,905)	673,501,765
Infrastructure: Street Furniture	9,004,977	(7,645,651)	1,359,326	9,054,677	(7,492,182)	1,562,495
Community	474,841,335	(235,010,980)	239,830,355	462,080,233	(230,352,277)	231,727,956
Motor vehicles	95,752,870	(60,935,604)	34,817,266	96,721,800	(59,226,742)	37,495,058
Plant and machinery	21,659,972	(13,389,002)	8,270,970	18,775,876	(13,385,635)	5,390,241
Furniture and office equipment	18,509,689	(12,390,269)	6,119,420	19,146,251	(11,802,759)	7,343,492
Computer equipment	21,290,437	(13,679,816)	7,610,621	23,752,354	(14,221,155)	9,531,199
Total	**3,751,737,263**	**(1,819,261,415)**	**1,932,475,848**	**3,673,790,123**	**(1,739,494,781)**	**1,934,295,342**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Depreciation	Total
Land	519,541,748	-	(3,459,035)	3,456,200	-	-	519,538,913
Buildings	31,180,953	7,994,784	-	13,911,596	(13,911,596)	(766,575)	38,409,162
Infrastructure: Stormwater	138,932,296	7,535,581	-	15,910,939	(15,910,939)	(2,030,349)	144,437,528
Infrastructure: Electricity	211,402,659	19,030,078	(38,690)	5,729,773	(5,729,773)	(6,876,401)	223,517,646
Infrastructure: Solid waste	66,685,480	1,462,572	-	-	-	-	68,148,052
Infrastructure: Roads	673,501,765	31,106,074	(228,633)	42,682,184	(42,682,184)	(63,962,617)	640,416,589
Infrastructure: Street Furniture	1,562,495	36,229	(6,952)	-	-	(232,446)	1,359,326
Motor vehicles	37,495,058	803,391	(279,051)	-	-	(3,202,132)	34,817,266
Community	231,727,956	17,069,657	(170,440)	13,944,365	(13,944,365)	(8,796,818)	239,830,355
Plant and machinery	5,390,241	4,304,338	(275,220)	-	-	(1,148,389)	8,270,970
Furniture and office equipment	7,343,492	523,693	(139,740)	4,510	-	(1,612,535)	6,119,420
Computer equipment	9,531,199	720,463	(458,839)	-	-	(2,182,202)	7,610,621
	1,934,295,342	**90,586,860**	**(5,056,600)**	**95,639,567**	**(92,178,857)**	**(90,810,464)**	**1,932,475,848**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Depreciation	Impairment loss	Total
Land	519,389,378	379,170	(226,800)	-	-	-	-	519,541,748
Buildings	24,964,908	6,971,172	-	1,269,482	(1,269,482)	(690,956)	(64,171)	31,180,953
Infrastructure: Stormwater	136,594,647	9,196,570	-	5,363,398	(5,363,398)	(1,779,765)	(5,079,156)	138,932,296
Infrastructure: Electricity	210,877,960	9,152,694	(234,363)	5,041,452	(5,041,452)	(7,020,235)	(1,373,397)	211,402,659
Infrastructure: Solid waste	62,209,003	4,476,477	-	-	-	-	-	66,685,480
Infrastructure: Roads	723,574,815	32,298,300	-	25,121,564	(25,121,564)	(81,192,303)	(1,179,047)	673,501,765
Infrastructure: Street Furniture	3,054,333	135,186	(30,024)	-	-	(363,955)	(1,233,045)	1,562,495
Motor vehicles	38,720,112	3,388,188	-	707,376	-	(5,320,618)	-	37,495,058
Community	234,625,076	16,670,431	(6,208,802)	7,373,958	(7,373,958)	(9,298,640)	(4,060,109)	231,727,956
Plant and equipment	7,623,093	428,807	(10,998)	-	(707,376)	(1,943,285)	-	5,390,241
Furniture and office equipment	9,041,713	646,554	(110,134)	829,860	(829,860)	(2,234,641)	-	7,343,492
Computer equipment	12,466,156	322,728	(65,722)	2,815,223	(2,815,223)	(3,191,963)	-	9,531,199
	1,983,141,194	**84,066,277**	**(6,886,843)**	**48,522,313**	**(48,522,313)**	**(113,036,361)**	**(12,988,925)**	**1,934,295,342**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Buildings	Included within Computer Equipment	Included within Furniture and Equipment	Included within Plant and Equipment	Total
Opening balance	42,168,646	44,731,218	6,718,985	-	-	-	93,618,849
Additions/capital expenditure	56,971,812	16,905,718	7,192,611	-	-	-	81,070,141
Transferred to completed items	(64,322,896)	(13,944,365)	(13,911,596)	-	-	-	(92,178,857)
	34,817,562	**47,692,571**	-	-	-	-	**82,510,133**

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Buildings	Included within Computer Equipment	Included within Furniture and Equipment	Included within Plant and Equipment	Total
Opening balance	32,460,745	38,372,568	4,352,458	2,815,223	829,860	707,376	79,538,230
Additions/capital expenditure	50,821,852	13,531,421	6,718,985	-	-	-	71,072,258
Impairment of assets	(1,179,047)	(2,937,823)	-	-	-	-	(4,116,870)
Transferred to completed items	(39,934,904)	(4,234,948)	(4,352,458)	(2,815,223)	(829,860)	(707,376)	(52,874,769)
	42,168,646	**44,731,218**	**6,718,985**	-	-	-	**93,618,849**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Employee related costs - Labour charges	29,250,748	46,156,766
Contracted services	23,398,704	15,806,489
Sale of goods/Inventory	12,456,580	15,984,083
Operational costs - Transport costs	5,080	14,135,284
	65,111,112	**92,082,622**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

4. Property, plant and equipment (continued)

Capital projects that have been significantly delayed

Construction work in progress has been included in the above mentioned property, plant and equipment, based on the nature of the project being constructed. The following projects have been identified as significantly delayed:

Construction of the Ezakheni Sports Complex This project has had significant delays in completion due to the termination of contracts for appointed contractors, who have failed to complete the project and have not met the correct specifications in terms of the project.	-	16,194,104
Emnambithi Indoor Sports Complex This is a longer term project and the planning and study phase of this project has been completed	-	5,115,727
	-	**21,309,831**

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 Annual Financial Statements

Figures in Rand

5. 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	7,909,851	(5,336,941)	2,572,910	7,767,865	(4,321,900)	3,445,965

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	3,445,965	170,987	(1,044,042)	2,572,910

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	4,126,281	481,946	(58,280)	(1,103,982)	3,445,965

Intangible assets in the process of being constructed or developed

There are no intangible assets in the process of being constructed or developed.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

6. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	21,502,526	(152,000)	21,350,526	21,502,526	-	21,502,526

Reconciliation of heritage assets 2021

	Opening balance	Impairment losses recognised	Total
Historical buildings	21,502,526	(152,000)	21,350,526

Reconciliation of heritage assets 2020

	Opening balance	Impairment losses recognised	Total
Historical buildings	21,508,026	(5,500)	21,502,526

Heritage assets which fair values cannot be reliably measured

The cost model is used for all heritage assets in terms of measurement.
Where the inability exists to determine the fair value reliably, when market-determined prices or values are not available and alternative estimates of fair value are determined to be clearly unreliable, heritage assets shall be measured using the cost model. The carrying amount of the heritage asset shall be its revalued amount at the date of the last revaluation less any subsequent accumulated impairment losses.

Expenditure incurred to repair and maintain heritage assets

No direct expenditure has been incurred to maintain heritage assets for the financial period being reported.

7. Inventories

	2021	2020
Materials, supplies and assets held for disposal	2,064,929	1,414,171
Unsold Properties Held for Resale	130,588,845	131,590,415
Consumable stores	17,212,825	18,944,489
	149,866,599	**151,949,075**

8. Receivables from exchange transactions

	2021	2020
Gross balances		
Electricity	66,268,469	59,628,558
Sundry debtors	13,265,725	16,153,204
Refuse	86,022,350	83,395,169
Housing rental	3,138,545	2,793,727
	168,695,089	**161,970,658**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

8. Receivables from exchange transactions (continued)

Less: Allowance for impairment		
Electricity	(13,867,449)	(20,105,727)
Sundry debtors	(6,578,487)	(7,900,080)
Refuse	(63,079,437)	(63,390,700)
Housing rental	(2,232,639)	(2,766,827)
	(85,758,012)	**(94,163,334)**

Net balance		
Electricity	52,401,020	39,522,831
Sundry debtors	6,687,238	8,253,124
Refuse	22,942,913	20,004,469
Housing rental	905,906	26,900
	82,937,077	**67,807,324**

Electricity		
Current (0 -30 days)	34,576,358	31,136,375
31 - 60 days	6,288,084	4,969,301
61 - 90 days	2,093,845	1,906,094
91 - 120 days	1,546,457	1,478,845
121 - 365 days	7,040,350	6,319,066
> 365 days	14,723,375	13,818,877
	66,268,469	**59,628,558**

Refuse		
Current (0 -30 days)	440,132	859,134
31 - 60 days	2,563,809	2,915,255
61 - 90 days	2,392,652	2,405,759
91 - 120 days	2,334,675	2,329,922
121 - 365 days	14,715,304	14,182,519
> 365 days	63,575,778	60,702,581
	86,022,350	**83,395,170**

Housing rental		
Current (0 -30 days)	37,653	38,221
31 - 60 days	45,869	36,861
61 - 90 days	37,600	35,741
91 - 120 days	37,324	35,439
121 - 365 days	287,865	280,830
> 365 days	2,692,232	2,366,635
	3,138,543	**2,793,727**

9. Receivables from non-exchange transactions

Gross Debtors		
Fines	12,260,274	26,383,626
Property Rates	469,060,891	386,389,379
	481,321,165	**412,773,005**

Impairment

Figures in Rand	2021	2020

9. Receivables from non-exchange transactions (continued)

Traffic fine impairment	(7,929,888)	(19,714,102)
Property Rates impairment	(241,747,042)	(211,817,822)
	(249,676,930)	**(231,531,924)**

Net Debtors		
Fines	4,330,386	6,669,524
Consumer debtors - Rates	227,313,849	174,571,557
	231,644,235	**181,241,081**

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

Fines	12,260,274	26,383,626
Property rates	469,060,891	386,389,379
	481,321,165	**412,773,005**

Statutory receivables are accounted for as follows:

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

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

The basis of impairment takes into account the following:

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

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

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

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

Fines	4,330,386	6,669,524
Property rates	227,313,849	174,571,557
	231,644,235	**181,241,081**

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

As of 30 June 2021, the following statutory receivables were considered to be past due and have been impaired. This was determined by taking into account the debt that is outstanding for a period of more than 90 days:

Fines	7,929,888	19,714,102
Property rates	241,747,042	211,817,822
	249,676,930	**231,531,924**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

9. Receivables from non-exchange transactions (continued)

Summary of aging of debtors

Property Rates

Current (0-30 days)	2,915,494	5,270,448
31-60 days	13,478,451	13,395,265
61-90 days	11,877,669	10,575,745
91-120 days	11,033,210	34,644,510
121 - 365 days	77,569,833	55,539,621
> 365 days	352,186,234	266,963,790
	469,060,891	**386,389,379**

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

As of 30 June 2021, the following statutory receivables were considered to be past due and not impaired. This was determined by taking into account the debt that is outstanding for a period of more than 90 days which have not been subjected to impairment:

Heading		
Property rates	34,257,860	58,354,687

10. VAT receivable

VAT	434,514	5,366,835

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

11. Payables from exchange transactions

Trade payables	97,455,451	97,435,718
Payments received in advance	49,384,482	41,307,437
Other creditors	444,463	526,827
Retention	26,996,604	28,437,963
Unallocated deposits	7,006,688	6,560,641
Salary control payables	4,485,794	87,515
Bonus payable	6,235,029	6,054,874
Accrued leave pay	27,489,633	25,228,503
	219,498,144	**205,639,478**

Trade Creditors are valued at fair value as creditors are paid 30 days from date of statement. Trade payables are non-interest-bearing and normally settled on 30-day terms, where applicable, except retentions that are usually settled after 12 months.

Management policies are in place to ensure that all payables are paid within a reasonable timeframe, as stipulated in the MFMA, to ensure sound financial and risk management.

12. Consumer deposits

Electricity	12,866,834	13,525,707
Refuse	2,787,447	2,655,376
Housing rental	3,272,303	3,009,110
Posters	10,220	10,220
Street closure	3,500	3,100
	18,940,304	**19,203,513**

Figures in Rand	2021	2020

12. Consumer deposits (continued)

Interest is not paid on Consumer Deposits

Guarantees held in lieu of Electricity Deposits totals R 8,556,428 (30 June 2020: R 8,111,019)

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	7,499,732
Municipal Systems Improvement Grant	-	153,607
Integrated National Electrification Grant	-	10,495,022
Buildings Plans Information Management System	-	300,000
Satellite Fire Station	-	5,490,373
Construction of Animal Pound	35,095	2,041,000
Department of Human Settlements	43,056,819	37,890,618
Municipal Disaster Relief Grant	-	930,672
Museum Subsidy	(2)	-
Waste Recycling Plant / Logistics Hub	-	92,079
Housing Accreditation	1,036,014	819,193
Eradication of Bucket System	671,219	671,219
Local Government Sector Education and Training Authority	-	94,000
	44,799,145	**66,477,515**

Movement during the year

Balance at the beginning of the year	66,477,515	63,588,648
Additions during the year	421,982,110	376,494,256
Grant expenditure incurred	(444,777,965)	(371,074,526)
Interest realised to be utilised within the conditions	1,271,092	153,137
Repayments paid back to National Treasury	(153,607)	(2,684,000)
	44,799,145	**66,477,515**

See note 24 for reconciliation of grants received by the municipality.

14. Finance lease obligation

Minimum lease payments due		
- within one year	862,051	-
- in second to fifth year inclusive	1,850,080	-
Present value of minimum lease payments	**2,712,131**	-

Non-current liabilities	1,850,853	-
Current liabilities	862,051	-
	2,712,904	-

The municipality has entered into a lease agreement for a two way radio which meets the definition of a finance lease.

The lease term is 3 years and the average effective borrowing rate was 7.4%

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

15. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation-partly or wholly funded - Medical Aid	(57,027,999)	(54,912,999)
Present value of the long service awards - partly or wholly funded - Long service awards	(15,220,000)	(14,235,000)
	(72,247,999)	**(69,147,999)**
Non-current liabilities	(67,652,999)	(64,574,999)
Current liabilities	(4,595,000)	(4,573,000)
	(72,247,999)	**(69,147,999)**

Post Retirement Medical aid:

The Municipality offers employees and continuation members the opportunity of belonging to one of several accredited medical schemes. Upon retirement, an employee may continue membership of the accredited medical scheme. Upon a member's death-in-service, or death-in-retirement, the surviving dependants may continue membership of the medical scheme.
Eligible employees will receive a post-employment subsidy of 50% of the contribution payable should they be a member of a medical scheme at retirement, subject to the following conditions:
- Total service of at least ten years at retirement.
- Membership of a Municipality-accredited medical aid scheme for the majority of their total service (i.e. more than half of their service by retirement).

Continuation members and their eligible dependents receive either a 50%, 60% or a 66.7% subsidy.

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

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

In-service members	297	300
Continuation members	69	68

The amounts recognised in the Statement of Financial Position are as follows:

Opening balance	54,913,000	53,327,191
Current service cost	1,625,000	1,785,067
Interest service cost	5,066,000	4,796,842
Benefits paid	(2,890,885)	(2,789,598)
Actuarial loss / (gain)	(1,685,115)	(5,266,502)
Increase in subsidy rate	-	3,060,000
	57,028,000	**54,913,000**

Net expense recognised in the statement of financial performance

Current service cost	1,625,000	1,785,067
Interest cost	5,066,000	4,796,842
Actuarial (gains) losses	(1,685,115)	(5,266,502)
	5,005,885	**1,315,407**

Figures in Rand	2021	2020

15. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.93 %	10.06 %
Health care cost inflation rate	6.74 %	6.17 %
Net discount rate - health care cost inflation	2.99 %	3.66 %
Maximum subsidy inflation rate	4.68 %	4.25 %
Net discount rate - maximum subsidy inflation	5.02 %	5.57 %
Continuation of membership at retirement	75.00 %	75.00 %
30	15.00 %	15.00 %
Proportion with a spouse dependent at retirement	60.00 %	60.00 %

The discount rate was determined by deducing from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2020.

The average retirement age is 62 years (2020: 62 years).

Other assumptions

Amounts for the current and previous four years are as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Defined benefit obligation	57,028,000	51,853,000	53,327,191	28,178,688	29,897,013

Figures in Rand	2021	2020

15. Employee benefit obligations (continued)

Long service awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2021 may become entitled to in future, based on an actuarial valuation performed at that date. The Municipality offers employees Long Service Awards for every five years of continuous service completed, from 5 years to 45 years of service, inclusive.

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

The Long Service Awards plans are defined benefit plans. As at year end, xxxxx employees were eligible for Long Service Awards. (2020: 828 employees)

The fair value of long service awards is represented below:		
Provision for long service awards	15,220,000	14,235,000
Less: Transfer of current provisions	(1,711,000)	(1,514,000)
	13,509,000	**12,721,000**

The amount recognised in the Statement of Financial Performance is as follows:		
Current service cost	1,450,000	1,344,069
Interest cost	1,027,000	1,013,039
Actuarial (gain)/loss recognised	22,000	691,176
	2,499,000	**3,048,284**

Sensitivity Analysis

Sensitivity Analysis on Liability for the year ending 30 June 2021	Liability	% Change
Central assumptions	15,220,000	-
General salary inflation rate - 1% increase	16,239,000	7
General salary inflation rate - 1% decrease	14,299,000	(6)
Discount rate - 1% increase	14,266,000	(6)
Discount rate - 1% decrease	16,294,000	7
Average retirement age - 2 years increase	16,342,000	7
Average retirement age - 2 years decrease	13,682,000	(10)
Withdrawal rates - x200%	11,740,000	(23)
Withdrawal rates - x50%	17,678,000	16

Sensitivity Analysis on Current Service and Interest Costs for the year ending 30 June 2021	Current Service Cost	Interest Cost	Total	% Change
Central assumptions	1,450,000	1,027,000	2,477,000	-
General salary inflation rate - 1% increase	1,578,000	1,101,000	2,679,000	8
General salary inflation rate - 1% decrease	1,337,000	960,000	2,297,000	(7)
Discount rate - 1% increase	1,346,000	1,083,000	2,429,000	(2)
Discount rate - 1% decrease	1,571,000	960,000	2,531,000	2
Average retirement age - 2 years increase	1,545,000	1,110,000	2,655,000	7
Average retirement age - 2 years decrease	1,341,000	922,000	2,263,000	(9)
Withdrawal rates - x200%	1,003,000	778,000	1,781,000	(28)
Withdrawal rates - x50%	1,793,000	1,203,000	2,996,000	21

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

15. Employee benefit obligations (continued)

Sensitivity Analysis on Liability for the year ending 30 June 2020	Liability	% Change
Central assumptions	14,235,000	- %
General salary inflation rate - 1% increase	15,208,000	7 %
General salary inflation rate - 1% decrease	13,356,000	(6)%
Discount rate - 1% increase	13,323,000	(6)%
Discount rate - 1% decrease	15,264,000	7 %
Average retirement age - 2 years increase	15,359,000	8 %
Average retirement age - 2 years decrease	12,842,000	(10)%
Withdrawal rates - x200%	10,973,000	(23)%
Withdrawal rates - x50%	16,555,000	16 %

Sensitivity Analysis on Current Service and Interest Costs for the year ending 30 June 2020	Current Service Cost	Interest Cost	Total	% Change
Central assumptions	1,344,100	1,013,000	2,357,100	- %
General salary inflation rate - 1% increase	1,467,000	1,086,600	2,553,600	8 %
General salary inflation rate - 1% decrease	1,235,100	946,800	2,181,900	(7)%
Discount rate - 1% increase	1,243,000	1,059,100	2,302,100	(2)%
Discount rate - 1% decrease	1,459,700	958,100	2,417,800	3 %
Average retirement age - 2 years increase	1,438,900	1,100,800	2,539,700	8 %
Average retirement age - 2 years decrease	1,239,400	908,300	2,147,700	(9)%
Withdrawal rates - x50%	1,678,000	1,191,400	2,869,400	22 %

The history of experience adjustments on long service awards as follows:	2021	2020	2019	2018	2017
Long service award obligation	15,220,000	14,235,000	13,195,754	9,617,985	8,464,580

The future service cost for the ensuing year is estimated to be R 1,542,000 whereas the interest-cost for the next year is estimated to be R 1,358,000 (2020: R 1,450,000 and R 1,027,000 respectively).

Figures in Rand	2021	2020

16. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Environmental rehabilitation	66,258,613	1,462,572	67,721,185
Performance Bonus	943,064	168,267	1,111,331
	67,201,677	**1,630,839**	**68,832,516**

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	61,782,136	4,476,477	-	66,258,613
Performance bonuses	1,505,538	914,862	(1,477,336)	943,064
	63,287,674	**5,391,339**	**(1,477,336)**	**67,201,677**

	2021	2020
Non-current liabilities	67,721,185	66,258,613
Current liabilities	1,111,331	943,064
	68,832,516	**67,201,677**

Environmental rehabilitation provision

The municipality has two environmental landfill sites, being Ladysmith Waste Disposal Site and Indaka Waste Disposal Site.

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate the landfill sites used for waste disposal. It is calculated as the net present value of the future obligation.

The municipality will incur R 59,584,852 to rehabilitate Ladysmith Waste Disposal Site, calculated as at 30 June 2021, (30 June 2020: R 62,909,280) to restore the site at the end of the respective useful life.

The municipality will incur R 8,136,333 to rehabilitate Indaka Waste Disposal Site, calculated as at 30 June 2021, (30 June 2020: R 3,349,333) to restore the site at the end of the respective useful life.

The valuation as at 30 June 2021 was performed by Delta Built Environment Consultants (Pty) Ltd. Delta Built Environment Consultants (Pty) Ltd is not affiliated to the Municipality. The full verification and valuation report as at 30 June 2021 is available on request.

Performance bonuses

Performance bonuses are paid to the Municipal Manager and Section 56 Managers after an evaluation by Council.

17. Long term loans

	2021	2020
At amortised cost		
ABSA Bank - Tsakane Electrification	2,622,489	3,054,132
The ABSA Bank loan bears an interest rate of 9.10%, and redeemed monthly with interest ending February 2026		
DBSA Bank - Indaka	2,247,405	2,486,042
The DBSA loan bears an interest rate of 5.00% and is redeemed bi-annually with interest, ending September 2028.		
	4,869,894	**5,540,174**

Figures in Rand	2021	2020

17. Long term loans (continued)

Total other financial liabilities	**4,869,894**	**5,540,174**
Non-current liabilities		
At amortised cost	4,187,532	4,866,918
Current liabilities		
At amortised cost	682,362	673,256

18. Housing development fund

Loans extinguished by Government on 1 April 1998	47,124,502	47,124,502
Unappropriated surplus	(8,040,991)	(10,356,828)
	39,083,511	**36,767,674**

The housing development fund is represented by the following assets and liabilities

Housing selling scheme loans	2,649,865	2,649,865
Bank and cash	36,433,646	34,117,809
Assets	**39,083,511**	**36,767,674**

19. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2021

	Self-Insurance reserve	Total
Opening balance	14,206,791	14,206,791
Interest recognised	513,112	513,112
Utilisation of reserve	(522,892)	(522,892)
	14,197,011	**14,197,011**

Ring-fenced internal funds and reserves within accumulated surplus - 2020

	Self-Insurance reserve	Total
Opening balance	14,856,066	14,856,066
Contribution to insurance reserve	803,394	803,394
Utilisation of reserve	(1,452,669)	(1,452,669)
	14,206,791	**14,206,791**

The Municipality has a Self-Insurance Fund to set aside amounts to offset potential losses or claims, which fall under a stop loss determined and calculated by Council's insurance broker based on the insurance risk carried by the Municipality. The funds are kept in a separate call account and invested on short-term fixed deposits, and the interest earned is credited to the fund.

Figures in Rand	2021	2020

20. Property rates

Rates received

Business and Commercial	50,862,956	49,908,644
Agricultural	4,814,173	4,865,919
Industrial	2,796,591	2,796,526
Vacant land	22,656,247	22,873,179
State owned properties	45,767,118	44,694,794
Residential	82,293,014	80,116,876
	209,190,099	205,255,938
Property rates - penalties imposed	33,185,911	25,213,814
	242,376,010	**230,469,752**

The following property allocation factors (rate) are applied to the various categories of property to determine assessment rates less the impermissible valuation allowed :

Valuation Roll Randages		
Residential	0.01280	0.01280
Business and Commercial	0.02243	0.02243
Industrial	0.01443	0.01443
Agricultural	0.00311	0.03110
Vacant land	0.04616	0.04616
State owned properties	0.02823	0.02823

Valuation Roll Market Values	**R'000**	**R'000**
Residential & Bed and Breakfasts	9,624,062	9,544,131
Industrial/Commercial/Business	2,452,473	2,476,597
Agriculture	1,568,707	1,568,675
Public Service Infrastructure	13,039	13,363
Vacant land	490,437	491,749
Municipal properties	661,130	667,625
State	1,609,856	1,598,489
Non-Profit Organisations	101,692	114,192
Religious	163,436	149,842
Municipal Vacant Land	2,168	2,168
Public Open Spaces	3,230	3,230
Other	75,311	77,637
	16,765,541	**16,707,698**

Basis of Valuation:

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2017. Supplementary valuations are processed on an adhoc basis to take into account changes in individual property values due to change in use, alterations, consolidations and subdivisions.

Impermissable rebates are applied to residential properties valued less than or equal to R100 000 on market values.

Rates are levied on a monthly basis with the final date for payment being Wednesday. 30 June 2021. Interest is raised on overdue accounts at 10.25% per annum in accordance with the National Credit Act, in respect of arrear accounts arising after 1 November 2016. Arrear accounts arising before 31 October 2016 is charged interest at a rate of 9.00% per annum.

The new general valuation will be implemented on 01 July 2021.

Notes to the Annual Financial Statements

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21. Service charges

Sale of electricity	379,672,594	355,254,392
Solid waste	28,261,512	28,516,410
	407,934,106	**383,770,802**

22. Interest received - receivables from exchange transactions

Interest - Waste Management Receivables	6,811,639	5,705,776
Interest - Electricity Receivables	2,556,572	2,246,391
	9,368,211	**7,952,167**

23. Investment revenue

Interest revenue		
Bank	14,140,533	18,440,395

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

24. Government grants and subsidies

Operating grants		
Equitable share	299,312,000	232,678,000
Provincialisation of Libraries	5,427,000	5,279,000
Waste Recycling Grant	92,079	-
Municipal Systems Improvement Grant (MSIG)	-	422,368
Expanded Public Works Programme (EPWP)	4,642,000	3,930,000
Infrastructure Skills Development Grant	3,458,000	3,500,000
Financial Management Grant (FMG)	2,000,000	2,500,000
Municipal Disaster Relief Grant (MDRG)	930,672	146,328
Museum Subsidy	213,002	202,000
Nodal Development Plan	-	950,100
Spatial Development Framework Grant	-	950,100
Housing Accreditation	1,054,272	1,420,657
LG SETA Grant	94,000	-
Building Plans Information Management System	300,000	200,000
Recapitalisation of Libraries	1,589,000	1,467,000
	319,112,025	**253,645,553**

Capital grants		
Sports Facilities Grant	-	9,003,308
Construction of a Satellite Fire Station for Indaka	5,490,373	6,509,627
Municipal Infrastructure Grant (MIG)	68,021,732	61,515,019
Construction of an Animal Pound	2,005,905	959,000
	75,518,010	**77,986,954**
	394,630,035	**331,632,507**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	95,318,035	98,954,507
Unconditional grants received	299,312,000	232,678,000
	394,630,035	**331,632,507**

Equitable Share

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

All registered indigents receive a monthly subsidy in accordance with the Municipality's approved Indigent Policy.

The municipality received a COVID allocation, which was included in the Local Government Equitable Share (LGES) grant allocation of R299,3 million in the 2020/2021 Financial Year. This allocation was used by the municipality to procure surgical masks, gloves, sanitizers and other COVID related items to protect and safeguard the employees of the municipality. The allocation was fully spent in the 2020/2021 Financial Year.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	7,499,732	10,015,751
Current-year receipts	60,522,000	61,683,000
Funds Not Approved for Roll-Over - Returned to National Treasury	-	(2,684,000)
Conditions met - transferred to revenue	(68,021,732)	(61,515,019)
	-	**7,499,732**

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

Figures in Rand	2021	2020

24. Government grants & sudsidies (continued)

This grant is utilised to construct roads and bridges, sportsfields, community halls and streetlighting as part of the upgrading of informal settlement areas.

Municipal Systems Improvement Grant

Balance unspent at beginning of year	153,607	575,975
Conditions met - transferred to revenue	-	(422,368)
Funds not approved for rollover - returned to National Treasury	(153,607)	-
	-	**153,607**

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

This grant is utilised to assist the Municipality in improving financial systems and data cleansing in terms of enhancing Revenue Collection.

Integrated National Electricity Programme Grant (INEP)

Balance unspent at beginning of year	10,495,022	6,494,320
Current-year receipts	4,000,000	11,000,000
Expenditure incurred	(14,495,022)	(6,999,298)
	-	**10,495,022**

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

This grant is utilised for electricity connections to households in various areas, serviced by Eskom, within the Municipal jurisdiction. The municipality is acting as an agent in terms of the principal agent arrangement on behalf of ESKOM, therefore the expenditure is incurred directly against the liability.

Museum subsidy

Current-year receipts	213,000	202,000
Conditions met - transferred to revenue	(213,000)	(202,000)
	-	-

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

This grant is utilised to subsidise expenses incurred solely for the Museums. No funds have been withheld.

Financial Management Grant (FMG)

Current-year receipts	2,000,000	2,500,000
Conditions met - transferred to revenue	(2,000,000)	(2,500,000)
	-	-

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

This grant is utilised for Interns' salaries to advance the implementation of the MFMA, training of officials to meet the minimum competency requirements, and for Asset Management and Financial System enhancements and training. No funds have been withheld.

Expanded Public Works Programme Grant (EPWP)

Current-year receipts	4,642,000	3,930,000
Conditions met - transferred to revenue	(4,642,000)	(3,930,000)

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

24. Government grants & sudsidies (continued)

	-	-

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

The Expanded Public Works Programme is a government programme aimed at the alleviation of poverty and unemployment. This programme ensures the full engagement on Labour Intensive Methods of Construction to workers for skills development. No funds have been withheld.

Provincialisation of Libraries

Current-year receipts	5,427,008	5,279,000
Conditions met - transferred to revenue	(5,427,008)	(5,279,000)
	-	-

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

This grant is utilised to subsidise expenditure and upgrading of Libraries. No funds have been withheld.

Recapitalisation of Libraries

Current-year receipts	1,589,004	1,467,000
Conditions met - transferred to revenue	(1,589,004)	(1,467,000)
	-	-

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

This grant is utilised for the remuneration of Cyber Cadets in Libraries. No funds have been withheld.

Sports Facilities Grant

Balance unspent at beginning of year	-	760,308
Current-year receipts	-	8,243,000
Conditions met - transferred to revenue	-	(9,003,308)
	-	-

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

This grant is utilised in the upgrading and maintaining of sports facilities. No funds have been withheld.

Building Plans Information Management System

Balance unspent at beginning of year	300,000	-
Current-year receipts	-	500,000
Conditions met - transferred to revenue	(300,000)	(200,000)
	-	**300,000**

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

This grant is utilised for assisting in the upgrading Information Management Systems for Building Plans. No funds have been withheld.

Infrastructure Skills Development Grant

Current-year receipts	3,458,000	3,500,000
Conditions met - transferred to revenue	(3,458,000)	(3,500,000)

Figures in Rand	2021	2020

24. Government grants & sudsidies (continued)

	-	-

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

This grant is utilised for the skilling of Interns in the areas of Engineering and Town Planning. No funds have been withheld.

Construction of an Animal Pound

	2021	2020
Balance unspent at beginning of year	2,041,000	-
Current-year receipts	-	3,000,000
Conditions met - transferred to revenue	(2,005,905)	(959,000)
	35,095	**2,041,000**

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

This grant is utilised for the Construction of an Animal Pound. No funds have been withheld.

Nodal Development Plan

	2021	2020
Balance unspent at beginning of year	-	950,100
Conditions met - transferred to revenue	-	(950,100)
	-	-

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

This grant is for the preparation of the Ladysmith Aerodrome Nodal Development Plan.

Spatial Development Framework Grant

	2021	2020
Balance unspent at beginning of year	-	950,100
Conditions met - transferred to revenue	-	(950,100)
	-	-

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

This grant is utilised to assist the Municipality in developing a legally compliant Spatial Development Framework.

Department of Human Settlements

	2021	2020
Balance unspent at beginning of year	37,890,618	40,992,084
Current-year receipts	40,972,075	29,341,256
Expenditure incurred	(35,806,505)	(32,442,722)
	43,056,188	**37,890,618**

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

This grant is utilised to construct houses and transfer Title Deeds as part of Low Cost Housing Projects. The municipality is acting as an agent in terms of the principal agent arrangement on behalf of Department of Human Settlements, therefore the expenditure is incurred directly against the liability.

Municipal Disaster Relief Grant (MDRG)

	2021	2020
Balance unspent at beginning of year	930,672	-
Current-year receipts	-	1,077,000
Conditions met - transferred to revenue	(930,672)	(146,328)

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

24. Government grants & sudsidies (continued)

	-	930,672

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

This grant is utilised for COVID-19 related expenditure with regard to Personal Protective Equipment and Cleaning Materials for Decontamination and Sanitising of Municipal Buildings. No funds have been withheld.

Waste Recycling Plant / Logistics Hub

	2021	2020
Balance unspent at beginning of year	92,079	136,389
Conditions met - transferred to revenue	(92,079)	(44,310)
	-	92,079

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

This grant is for the Establishment of a Waste Recycling Plant in the Municipal area.

Housing Accreditation

	2021	2020
Balance unspent at beginning of year	819,193	2,086,713
Interest received	1,271,093	153,138
Conditions met - transferred to revenue	(1,054,272)	(1,420,658)
	1,036,014	819,193

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

This grant is utilised to capacitate the Municipality in the construction of houses as part of the upgrading of informal settlement areas.

Eradication of Bucket System

	2021	2020
Balance unspent at beginning of year	671,219	671,219

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

This grant was allocated to the previous Indaka Local Municipality.

Construction of a Satellite Fire Station for Indaka

	2021	2020
Balance unspent at beginning of year	5,490,373	-
Current-year receipts	-	12,000,000
Conditions met - transferred to revenue	(5,490,373)	(6,509,627)
	-	5,490,373

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

This grant is utilised for the Construction of a Satellite Fire Station for Indaka and Surrounding Areas. No funds have been withheld.

Local Government Sector Education and Training Authority

	2021	2020
Balance unspent at beginning of year	94,000	-
Current-year receipts	-	94,000
Conditions met - transferred to revenue	(94,000)	-
	-	94,000

Figures in Rand	2021	2020

24. Government grants & sudsidies (continued)

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

This grant is utilised for learners, in terms of workplace based skills development, in scarce and critical skills areas.

25. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	2,030,996	2,656,192

26. Fines, Penalties and Forfeits

Overdue Books Fines	1,968	9,362
Pound Fees Fines	30,653	9,710
Municipal Traffic Fines	8,343,602	10,860,359
Retentions Forfeits	1,956,633	-
	10,332,856	**10,879,431**

There was a reduction in revenue with regard to the issuing of Traffic Fines, during the 2020/2021 financial year, due to the lockdown as a result of COVID-19.

27. Agency services

Vehicle Registration	2,831,162	2,483,423

The Alfred Duma Local Municipality entered into an agreement with the KZN Department of Transport, to collect process and collect Driver Licences on behalf of the Department. The municipality acts as an agent to this transaction in accordance with GRAP 109, Principal agent arrangements.

A fee of 8.55% of the total revenue collected is payable to the Municipality by deducting the fee amount from the funds collected on a daily basis.

28. Licences and permits (exchange)

Trading	64,376	62,061
Motor vehicle licences	8,654	3,859
Learners licences	642,929	517,389
Drivers licences	1,679,379	1,420,223
	2,395,338	**2,003,532**

29. Lease rentals on operating lease

Plant and equipment		
Contractual amounts	1,721,011	1,528,320
Lease rentals on operating lease - Other		
Contractual amounts	36,063	27,976
	1,757,074	**1,556,296**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

30. Operational revenue

Admin handling fees	516	14,499
Transactional handling fees	120,460	124,130
Incidental cash surpluses	694,473	352,943
Registration fees	13,653	-
Staff recoveries	84,328	(1)
Insurance refund	667,910	7,634,094
Other income	1,291,049	394,986
Skills Development Refunds	132,739	588,919
	3,005,128	**9,109,570**

31. Sale of goods and rendering of services

Entrance fees	2,515	320,677
Fire services	569,792	407,102
Management fees	-	91,279
Health and cleaning services	287,311	388,908
Town planning and building fees	475,651	419,827
Sundry revenue	28,562	98,398
Clearance certificates	377,256	302,691
Traffic Control and Parking	109,063	33,475
Legal fees	-	78,735
Advertising	186,065	85,859
	2,036,215	**2,226,951**

32. Fair value adjustments

Investment property (Fair value model)	2,018,996	16,596,616

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

33. Employee related costs

Basic	246,445,639	242,930,110
Bonus	348,422	1,772,616
Medical aid - company contributions	9,225,901	8,544,974
UIF	1,412,673	1,421,727
Post retirement medical aid contributions	6,671,306	6,581,909
Leave pay contributions	5,151,536	9,096,817
Overtime payments	4,663,001	5,494,075
Long-service awards	3,275,997	2,357,108
Car allowance	19,640,831	18,814,905
Housing benefits and allowances	1,109,483	1,368,074
Group life contributions	38,965	41,968
Standby allowances	4,257,337	6,584,465
Bargaining council contributions	582,534	453,722
Cell phone allowances	135,966	252,819
Pension contributions	31,988,151	29,952,111
	334,947,742	**335,667,400**

Included in basic salaries, is costs relating to job creation to the amount of R 18,661,251 (2020: R30,123,272)

Remuneration of Municipal Manager: Ms SS Ngiba

Annual Remuneration	1,698,573	1,698,573
Performance Bonuses	-	339,310
	1,698,573	**2,037,883**

Remuneration of Chief Financial Officer: Mr M Hloba (1 July 2020 - 30 November 2020)

Annual Remuneration	594,773	1,427,459
Performance Bonuses	-	229,594
	594,773	**1,657,053**

Remuneration of Executive Director: Corporate Services: Mrs P Mntaka

Annual Remuneration	1,427,459	1,427,459
Performance Bonuses	-	229,594
	1,427,459	**1,657,053**

Remuneration of Executive Director: Public Safety and Disaster Management: Mr PBB Simelane

Annual Remuneration	1,427,459	1,427,459
Performance Bonuses	-	276,858
	1,427,459	**1,704,317**

Remuneration of Executive Director: Development, Planning and Human Settements: Mr SE Mazibuko

Annual Remuneration	1,427,459	1,427,459
Performance Bonuses	-	196,563
Other	-	362,237
	1,427,459	**1,986,259**

Remuneration of Executive Director: Technical and Infrastructure Services: Mr RH Mazibuko

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

33. Employee related costs (continued)

Annual Remuneration	1,427,459	1,189,549

Remuneration of Executive Director: Public Works and Basic Services: Mr SO Hlatshwayo

Performance Bonuses	-	204,644

Mr SO Hlatshwayo was employed at the municipality untl 7 February 2019.

Remuneration of Executive Director: Community Services: Mr SN Kunene

Annual Remuneration	1,427,459	832,684

34. Remuneration of councillors

Executive Mayor	935,385	913,163
Deputy Executive Mayor	757,186	734,988
Executive Commitee Members	3,066,989	3,013,478
Speaker	757,186	728,741
Councillors	20,198,367	20,339,159
Chief Whip	712,638	695,072
	26,427,751	**26,424,601**

In-kind benefits

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

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.

The Executive Mayor has two full-time bodyguards.

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

35. Contracted services

Outsourced Services		
Administrative and Support Staff	918,090	861,190
Animal Care	159,414	205,479
Burial Services	199,759	180,629
Business and Advisory	465,548	356,100
Catering Services	7,709	185,651
Professional Staff	684,566	605,139
Security Services	3,435	5,826
Consultants and Professional Services		
Business and Advisory	3,131,653	3,204,783
Infrastructure and Planning	1,832,844	826,435
Laboratory Services	1,273	40,400
Legal Cost	2,700,426	3,450,254

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

35. Contracted services (continued)

Contractors		
Electrical	3,806,988	6,788,327
Event Promoters	-	45,868
Gardening Services	9,386	6,313
Maintenance of Buildings and Facilities	900,347	733,499
Maintenance of Equipment	1,591,995	826,318
Maintenance of Unspecified Assets	12,200,760	13,566,400
Pest Control and Fumigation	28,680	28,590
Traffic and Street Lights	46,370	55,245
Transportation	3,343,056	4,426,384
Safeguard and Security	33,944,388	41,088,792
Sewerage Services	14,395	25,288
Sports and Recreation	955,231	3,691,072
	66,946,313	**81,203,982**

36. Bulk purchases

Electricity - Eskom	275,456,200	252,504,476

Electricity losses

	Number 2020	Number 2019		
Units purchased	268,068,057	259,627,533	225,177,168	205,105,747
Units sold	(230,717,824)	(228,015,108)	(193,802,972)	(180,131,932)
Total loss	**37,350,233**	**31,612,425**	**31,374,196**	**24,973,815**
Comprising of:				
Technical losses			11,258,858	10,255,288
Non-technical losses			20,115,337	14,718,527
Total	-	-	**31,374,195**	**24,973,815**
Percentage Loss:				
Total loss			14 %	12 %

37. Finance costs

Non-current borrowings	260,354	298,507
Trade and other payables	462,706	758
Finance leases	191,155	128,991
	914,215	**428,256**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

38. General expenses

Advertising	157,696	232,914
Auditors remuneration	4,070,720	4,154,450
Bank charges	589,781	634,308
Commission paid	3,870,090	3,296,391
Discount allowed	3,409,337	1,902,893
Entertainment	34,059	69,443
Insurance	4,053,199	3,660,960
IT expenses	4,875,282	4,741,926
Levies	2,007,902	1,772,496
Fuel and oil	7,068,163	8,241,776
Postage and courier	2,428,201	1,953,135
Printing and stationery	2,036,768	1,339,385
Protective clothing	3,246,698	3,078,288
Subscriptions and membership fees	4,131,967	3,868,021
Telephone and fax	4,171,382	4,001,188
Travel - local	278,242	509,612
Utilities - Other	20,854,171	15,916,665
Other expenses	3,405,370	6,969,755
	70,689,028	**66,343,606**

39. Depreciation and amortisation

Property, plant and equipment	91,854,508	114,140,371

40. Impairment of assets

Impairments		
Property, plant and equipment	152,000	12,994,425

Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]

41. Grants and subsidies paid

Other subsidies		
Payments to Eskom	10,379,409	9,461,441

42. Debt impairment

Debt impairment	62,817,180	90,888,150

43. Public contributions and donations

Donated land received - private developer	3,460,710	-

Donated land has been received by the municipality from a private developer.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

44. Cash generated from operations

Surplus	137,248,364	19,658,491
Adjustments for:		
Depreciation and amortisation	91,854,508	114,140,371
Loss on disposal of assets and liabilities	4,725,681	6,886,844
Fair value adjustments	(2,018,996)	(16,596,616)
Impairment deficit	152,000	12,994,425
Debt impairment	62,817,180	90,888,150
Actuarial gains recognised	(1,663,115)	(4,575,325)
Contribution to post retirement and long service awards provisions	9,168,000	8,939,017
Contribution to performance bonuses provision	168,267	914,862
Contribution to staff leave accrual	5,151,537	9,096,817
Contribution to annual bonuses payable	180,155	857,754
Increase in inventory net realisable value	(800,600)	(8,617,020)
Donation of land and assets received	(3,460,710)	-
Changes in working capital:		
Inventories	2,883,076	(1,876,639)
Receivables from exchange transactions	(34,282,016)	(40,182,479)
Other receivables from non-exchange transactions	(94,063,992)	(73,659,734)
Housing Operating Account	2,315,838	3,701,327
Self insurance reserve	(9,780)	(749,276)
Payables from exchange transactions	8,526,976	33,535,636
VAT	4,932,321	(522,108)
Unspent conditional grants and receipts	(21,678,370)	2,888,867
Consumer deposits	(263,209)	1,580,179
Employee benefit obligation	(4,404,886)	(4,798,637)
Provisions	-	(1,477,336)
	167,478,229	**153,027,570**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

45. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment - Infrastructure	11,293,855	22,053,780
• Property, plant and equipment - Community	-	3,405,117
• Property, plant and equipment - Other assets	-	4,415,867
	11,293,855	**29,874,764**
Total capital commitments		
Already contracted for but not provided for	11,293,855	29,874,764

This expenditure will be financed from:

Already contracted for but not provided for		
• Government Grants	11,293,855	26,030,053
• Own Revenue	-	3,844,711
	11,293,855	**29,874,764**
Total operational commitments		
Already contracted for but not provided for	11,293,855	29,874,764

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	2,309,025	4,288,189
- in second to fifth year inclusive	1,979,164	1,979,164
- later than five years	329,860	2,309,705
	4,618,049	**8,577,058**

The operating lease was entered into with the Databox Technologies cc, the lease of photocopi.. machine, the commence date of the lease was 1 September 2019 and terminates on 30 September 2022. At the termination of the lease contract. .

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	833,503	983,524
- in second to fifth year inclusive	2,824,147	2,630,748
- later than five years	3,154,213	1,552,363
	6,811,863	**5,166,635**

Certain of the municipality's property is held to provide a service to the community to assist with local economic and social development. Lease agreements are cancellable if agreed by both parties.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

46. Section 45 of Supply Chain Management Regulations - Awards made to persons in the service of the State

The Municipality conducted business during the financial period with the below mentioned service providers, of which the directors are closely related to a person employed in the service of the State.

Mivusa Trading (Pty) Ltd - Spouse employed at the municipality in the revenue department. The spouse has no influence in terms of any awards in accordance with the post	425,895	143,550
Harvey World Travel - Spouse employed at Department of Trade and Industry	9,481	35,970
Bhatimewu Trading Enterprise - Spouse employed as a nurse within government	73,793	20,900
Jubane Tires - Parent employed at Department of Health	-	1,035
Niphile Consulting Engineers - Spouse employed at Ethekwini Municipality	5,574,000	10,544,799
Nsizi Global Industries - Spouse employed at the municipality in contract management. The spouse has no influence in terms of any awards in accordance with the post	9,180	27,900
Emkhonjana - Spouse employed at Zululand District Municipality	14,250	-
Munsoft - Spouse employed at the Department of Justice	8,602,761	-
One Stop Computers - Spouse employed at the municipality in revenue section. The spouse has no influence in terms of any awards in accordance with the post	907,382	-
	15,616,742	**10,774,154**

47. Related parties

Related party transactions

Remuneration of management

Management class: Councillors

Refer to note "Remuneration of councillors"

Additional information

The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

Management class: Executive management

*Refer to note "Employee related costs" regarding the remuneration paid to management

48. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Cash and cash equivalents	454,742,914	454,742,914
Long term receivables	1,147	1,147
Trade and other receivables	314,581,312	314,581,312
	769,325,373	**769,325,373**

Financial liabilities

48. Interest received - receivables (continued)

	At amortised cost	Total
Long term liabilities	4,869,894	4,869,894
Finance lease obligation	2,712,904	2,712,904
Consumer deposits	18,940,304	18,940,304
Trade and other payables from exchange transactions	219,498,144	219,498,144
	246,021,246	**246,021,246**

2020

Financial assets

	At amortised cost	Total
Cash and cash equivalents	374,719,359	374,719,359
Long term receivables	5,217	5,217
Trade and other receivables	249,048,405	249,048,405
	623,772,981	**623,772,981**

Financial liabilities

	At amortised cost	Total
Long term liabilities	4,869,893	4,869,893
Trade and other payables	205,639,478	205,639,478
	210,509,371	**210,509,371**

49. Change in estimate

Property, plant and equipment

The useful lives of Property Plant and Equipment were assessed by management. At the end of the current period management has revised their estimate for different asset categories. The effect of this revision has decreased the depreciation charge for the current and the future period by R 192 400. The assessment was done at year end when the assets were fully depreciated but still had economic benefits accruing to the municipality.

The impact on the depreciation for the current year is as follows:

Depreciation expense had the previous estimate been applied	R 91 002 864
Depreciation expense due to the new estimate been applied	R 90 810 464

Notes to the Annual Financial Statements

50. Prior Period Adjustments

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Cash and cash equivalents	374,719,359	-	-	374,719,359
Receivables from exchange transactions	44,279,311	(20,413,114)	43,941,127	67,807,324
Inventories	152,034,528	(85,453)	-	151,949,075
Receivables from non-exchange transactions	3,865,355	19,215,997	158,159,729	181,241,081
VAT receivable	21,381,695	138,741	(16,153,601)	5,366,835
Receivables from exchange transactions	202,100,857	-	(202,100,857)	-
	798,381,105	**(1,143,829)**	**(16,153,602)**	**781,083,674**
Non-Current Assets				
Investment property	184,107,427	(103,320,883)	-	80,786,544
Property, plant and equipment	1,848,833,149	85,462,193	-	1,934,295,342
Intangible assets	3,258,988	186,977	-	3,445,965
Heritage assets	21,652,526	(150,000)	-	21,502,526
Receivables from exchange transactions	5,217	-	-	5,217
	2,057,857,307	**(17,821,713)**	**-**	**2,040,035,594**
Total Assets	**2,856,238,412**	**(18,965,542)**	**(16,153,602)**	**2,821,119,268**
Liabilities				
Current Liabilities				
Consumer deposits	16,181,084	-	3,022,429	19,203,513
Employee benefit obligation	3,059,000	-	1,514,000	4,573,000
Long term loans	673,256	-	-	673,256
Provisions	2,457,064	-	(1,514,000)	943,064
Payables from exchange transactions	219,201,614	(5,613,890)	19,176,026	205,639,478
Unspent conditional grants and receipts	66,477,515	-	-	66,477,515
	308,049,533	**(5,613,890)**	**22,198,455**	**297,509,826**
Non-Current Liabilities				
Long term loans	4,869,893	(2,975)	-	4,866,918
Employee benefit obligation	48,793,999	3,060,000	12,721,000	64,574,999
Provisions	78,979,613	-	(12,721,000)	66,258,613
	132,643,505	**3,057,025**	**-**	**135,700,530**
Total Liabilities	**440,693,038**	**(2,556,865)**	**22,198,455**	**433,210,356**
Net Assets				
Reserves				
Housing development fund	36,767,674	-	-	36,767,674
Accumulated surplus	2,378,777,696	(27,636,458)	-	2,351,141,238
Total Net Assets	**2,415,545,370**	**(27,636,458)**	**-**	**2,387,908,912**

Notes to the Annual Financial Statements

50. Prior Period Adjustments (continued)

50.1 Receivables from exchange transactions

Balance previously reported	44,279,311
Prior year adjustments	(20,413,114)
Reclassifying adjustment	43,941,127
	67,807,324

The municipality reclassified sundry debtors from receivables from non-exchange transactions to receivables from exchange transactions. This included reclassfication of VAT and interest to be received on debtors from non-exchange to exchange transactions.

50.2 Receivables from non-exchange transactions

Balance previously reported	3,865,355
Prior period adjustments	(19,215,997)
Reclassifying adjustment	158,159,729
	142,809,087

The municipality disclosed property rates and traffic fines as statutory receivables on the Statement of Financial Position. These amounts have been reclassified to receivables from non-exchange in accordance with the GRAP requirements, and a disclosure relating to the staturory receivables has been included within the note.

50.3 Inventories

Balance previously reported	152,034,528
Prior year adjustment	(85,453)
	151,949,075

Inventory adjustments were effected in the prior financial year.

50.4 VAT receivable

Balance previously reported	21,381,695
Prior year adjustments	138.741
Reclassifying adjustments	(16,153,601)
	5,366,835

The municipality had previously disclosed a VAT payable/receivable based on the cash basis of accounting. Taking into account that the municipality is required to comply with GRAP, which requires trasnsactions to be disclosed on an accrual bais, the municipality has reclassified all VAT related accounts together as a receivable. Adjustments were further done to recognise transactions in the correct financial period..Additional text

50.5 Receivables from exchange transactions

Balance previously reported	202,100,827
Reclassifying adjustments	(202,100,827)
	-

The municipality disclosed property rates and traffic fines as statutory receivables on the Statement of Financial Position. These amounts have been reclassified to receivables from non-exchange in accordance with the GRAP requirements, and a disclosure relating to the staturory receivables has been included within the note

Notes to the Annual Financial Statements

50. Prior Period Adjustments (continued)

50.6 Property, plant and equipment

Balance previously reported	1,848,833,149
Prior year adjustments	85,462,193
	1,934,295,342

Assets were identified during the asset verification process, which were not previously included in the fixed asset register, and the audit process.

50.7 Intangible assets

Balance previously reported	3,258,988
Prior year adjustments	186,978
	3,445,966

Intangible assets were identified for inclusion in the asset register, which were not previously disclosed.

50.8 Investment property

Balance previously reported	184,107,427
Prior year adjustments	(103,320,883)
	80,786,544

Investment property was reclassified to Prioperty, Plant and Equipment, in accordance with GRAP 17.

50.9 Heritage assets

Balance previously reported	21,652,526
Prior period adjustments	(150,000)
	21,502,526

Heritage assets were derecognised from the asset register.

50.10 Payables from exchange transactions

Balance previously reported	219,201,614
Prior period adjustments	(5,613,890)
Reclassifying adjustments	19,176,026
	205,639,478

The municipality reclassified VAT accrual accounts and consumer deposits from trade and other payables to consumer deposits and VAT receivable classifications. Additionally, prior period adjustments for the accrual of transactions relating to the compensation fund were processed. Adjustments were further recognised to correct prior year creditors identified in the current financial year

50.11 Consumer deposits

Balance previously reported	16,181,084
Reclassification adjustment	3,022,429
	19,203,513

Consumer deposits relating to streeet closure, posters and rental properties were previously classified under payables from exchange transactions. In order to improve the presentation of the financial statements and alignment to the National Treasury mSCOA reporting, consumer deposits has been reclassified to appear directly on the Statement of Financial Performance.

Notes to the Annual Financial Statements

50. Prior Period Adjustments (continued)

50.12 Employee benefit obligation

Balance previously reported	51,852,999
Reclassification adjustment	14,235,000
	66,087,999

The provision for long service awards was classified under provisions, however due to this being an employee benefit obligation, this was reclassified to the empliyee benefit obligation

50.13 Provisions

Balance previously reported	81,436,677
Reclassifying adjustments	(14,235,000)
	67,201,677

The provision for long service awards was classified under provisions, however due to this being an employee benefit obligation, this was reclassified to the empliyee benefit obligation

50.14 Accumulated surplus

Balance previously reported	2,378,777,696
Prior year adjustments	(27,636,458)
	2,351,141,238

The recognition of fair value adjustments for newly identified assets were accounted for against accumulated surplus. Adjustments were further made to the restatement of trade payables, to account for prior year creditors relating to the compensation fund..

Notes to the Annual Financial Statements

50. Prior Period Adjustments (continued)

Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	383,529,570	56,432	184,800	383,770,802
Sale of goods and rendering of services	-	-	2,226,951	2,226,951
Other income	11,264,014	-	(11,264,014)	-
Rental of facilities and equipment	2,656,191	1	-	2,656,192
Interest received - receivables	7,952,167	-	-	7,952,167
Agency services	2,483,423	-	-	2,483,423
Licences and permits	-	-	2,003,532	2,003,532
Investment revenue	18,440,395	-	-	18,440,395
Operational income	-	-	9,109,570	9,109,570
Actuarial gains	4,575,325	-	-	4,575,325
Gain on fair value adjustment	17,375,714	(779,098)	-	16,596,616
Reversal to net realisable value	8,617,020	-	-	8,617,020
Total revenue from exchange transactions	**456,893,819**	**(722,665)**	**2,260,839**	**458,431,993**
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	205,255,937	1	-	205,255,938
Property rates - penalties and interest	25,213,814	-	-	25,213,814
Licence or permits	2,270,553	-	(2,270,553)	-
Transfer revenue				
Government grants & subsidies	331,632,508	(1)	-	331,632,507
Fines, Penalties and Forfeits	10,869,721	-	9,710	10,879,431
Total revenue from non-exchange transactions	**575,242,533**	**-**	**(2,260,843)**	**572,981,690**
Total revenue	**1,032,136,352**	**(722,665)**	**(4)**	**1,031,413,683**
Expenditure				
Employee related costs	(330,857,991)	-	(4,809,409)	(335,667,400)
Remuneration of councillors	(26,424,601)	-	-	(26,424,601)
Depreciation and amortisation	(114,949,778)	1,103,982	-	(114,140,371)
Impairment of cash and non-cash generating assets	(13,963,756)	1,286,373	-	(12,677,383)
Finance costs	(427,498)	-	(758)	(428,256)
Debt impairment	(88,183,666)	(2,704,484)	-	(90,888,150)
Lease rentals on operating lease	-	-	(1,556,296)	(1,556,296)
Bulk purchases	(252,052,187)	-	-	(252,504,476)
Contracted services	(50,290,066)	-	(30,581,482)	(81,203,982)
Transfers and subsidies	-	-	(9,461,441)	(9,461,441)
Inventory consumed	-	-	(13,255,344)	(13,255,344)
Operational expenditure	(124,047,343)	(1,933,261)	59,664,695	(66,315,909)
Loss on disposal of assets	(6,806,829)	-	-	(6,886,844)
Total expenditure	**(1,008,003,715)**	**(2,247,390)**	**-**	**(1,011,410,453)**
Operating (deficit) surplus	**24,132,637**	**(2,970,055)**	**(4)**	**20,003,230**
(Deficit) surplus for the year	**24,132,637**	**(2,970,055)**	**(4)**	**20,003,230**

Notes to the Annual Financial Statements

50. Prior Period Adjustments (continued)

50.15 Sales of goods and rendering of services

Balance previously reported	-
Reclassifying adjustments	2,226,951
	-
	2,226,951

The municipality disclosed sale of goods and rendering of services as part of other income. In order to improve presentation to the users of the financial statements, sale of goods and rendering of services has been separately disclosed.

50.16 Service charges

Balance previously reported	383,529,570
Prior year adjustments	56,432
Reclassifying adjustments	184,800
	383,770,802

Prior period billing relating to the accrued revenue for electricity was understated in the prior year, and has been restated.

50.17 Other income

Balance previously reported	11,264,014
Reclassifying adjustments	(11,264,014)
	-

Other income was reclassified to sale of goods and rendering of services and operational income.

50.18 Licences and permits

Reclassifying adjustments	2,003,532

Licences and permits were reclassified from exchange to non-exchange trans. .tions. This was previously reported as non-exchange. however, taking into account that a service is provided in rendering licences and permits, it was reclassified to exchange transactions.

50.19 Operational revenue

Reclassifying adjustments	9,109,570

The municipality disclosed other income in the prior financial year. This income has been split between sale of goods and rendering of services and operational income, to ensure improved presentation to the users of the financial statements and alignment to the mSCOA reporting formats.

Notes to the Annual Financial Statements

50. Prior Period Adjustments (continued)

50.20 Gain on fair value adjustments

Balance previously reported	17,375,714
Prior period adjustments	(779,098)
	16,596,616

Adjustments were effected to the prior financial year to restate assets, resulting in a decresae in the gain on fair value adjustment.

50.21 Fines, Penalties and Forfeits

Balance previously reported	10,869,721
Prior year adjustment	-
Reclassifying adjustments	9,710
	10,879,431

A reclassification of a portion of fines and penalties were restated in accordance with the mSCOA requirements.

50.22 Employee related costs

Balance previously reported	(330,857,991)
Reclassifying adjustment	(4,809,409)
	(335,667,400)

Employee related costs were reclassified in accordance with GRAP requirements

50.23 Depreciation and amortisation

Balance previously reported	(114,949,778)
Prior year adjustment	809,407
	(114,140,371)

Depreciation adjustments relates to the prior period adjustments made to the asset register for the year under review.

50.24 Impairment of cash and non-cash generating assets

Balance previously reported	(13,963,756)
Prior period adjustment	969,331
	(12,994,425)

The municipality restated impairment of cash and non-cash generating assets, in accordance with the assessment and fixed asset register.-12994

50.25 Finance costs

Balance previously reported	(427,498)
Reclassifying adjustment	(723)
Prior period adjustment	(35)
	(428,256)

Additional interest was identified during the year under review, which related to the prior year finance costs. As a result, the finance coss were restated.

Notes to the Annual Financial Statements

50. Prior Period Adjustments (continued)

50.26 Debt impairment

Balance previously reported	(88,183,666)
Prior year adjustment	(2,704,484)
	(90,888,150)

Impairment for traffic fines has been restated to account for the under-provision, based on the write-offs and reductions effected in the current financial year.

50.27 Contracted services

Balance previously reported	(50,290,066)
Reclassifying adjustments	(30,913,916)
	-
	(81,203,982)

Contracted services were reclassified from general expenses to enable better presentation to the users of the financial statements and to report based on the nature of the expenditure adequately.

50.28 Transfers and subsidies paid

Balance previously reported	-
Reclassifying adjustments	(9,461,441)
	(9,461,441)

Transfers and subsidies were previously classified as part of general expenses. Transfers and subsidies has been reclassified to enable better presentation to the users of the financial statements, and to report based on the nature of the expenditure accordingly.

50.29 Lease rentals on operating leases

Reclassifying adjustments	(1,556,296)

Lease rentals on operating leases were previously classified as part of general expenses. Lease rentals have been reclassified to enable better presentation to the users of the financial statements, and to report based on the nature of the expenditure accordingly.

50.30 Operational expenditure

Balance previously reported	(124,047,343)
Reclassification adjustment	59,664,695
Prior period adjustment	(1,933,261)
	-
	(66,343,606)

Costs relating to the Compensation Fund was restated in the prior, based on outstanding invoices received. Additionally, operational expenditure was previously reported as general expenses, and this has been split between transfers and subsidies paid, contracted services, operating leases and inventory consumed..

51. Contingencies

Contingent liabilities

The Municipality was sued for damages for allegations of unlawful arrest and defamation. The State Attorney's Office is dealing with this matter. Case No. 11653/2015	500,000	500,000
The Municipality was sued for damages involving a minor falling into a trench. The Municipality is defending the claim and the matter has not been set down for trial as yet. Case No. 9222/2010	985,000	985,000
The Municipality was sued for outstanding payments to a service provider. The Municipality is defending the claim and the case is at discovery stage, and awaiting trial. Case No. 6040/2015	1,900,000	1,900,000
The municipality was sued by the service provider for the payment of the services rendered and loss of profit. The municipality is defending the action and the matter has not been set down for trial as yet. Case No. 895/21P	21,427,240	-
The Municipality was sued for outstanding payments to a service provider, relating to the release of retention. The Municipality is defending the claim and the matter is still pending. Case No. 491/2018	219,450	983,230
The municipality was sued for damages for allegations of unlawful arrest. The municipality is defending the action and the matter is on the pleading stage.Case No. 60/2021	200,000	-
The municipality was sued for the outstanding payment due and payable to the service provider. The municipality is defending the action and the matter is on the pleading stage. Case No. 87872020P	1,406,030	-
The municipality was sued for damaging the Telkom underground cables. The settlement agreement was concluded successfully between the parties. The municipality gave instructions to attorneys, to recover the settlement amount from the contractor. Case No. 530/2020	49,834	-
The municipality was sued, emanating from services alleged to have been rendered to the former Indaka Local Municipality which were not paid for. Pre-trial conference held. Plaintiff changed their attorney of record, thus causing delay in finalization of the matter therefore the matter is still pending. Case 13232/17P	763,780	-
The Municipal Councillors Pension Fund (MCPF) is claiming outstanding contributions owed by Councillors who who resigned from the MCPF, from the Municipality. The rules of the fund indicate that the Councillors may not cease to be a member of the fund whilst still a Councillor, and that the Municipality is liable for all payments outstanding to the MCPF.	3,313,755	3,313,755
	30,765,089	**7,681,985**

Contingent assets

No contingent assets exist for the period ended 30 June 2021 (2020: R0).

52. Risk management

Financial risk management

The municipality 's activities exposes it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.
The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the municipality's financial performance.
The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include liquidity risk, credit risk, market risk relating to interest rate risk.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

52. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality finance maintains flexibility in funding by maintaining availability under committed credit lines.
The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash Flow forecasts are prepared and monitored on a regular basis.

Market risk

Interest rate risk

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

53. Going concern

We draw attention to the fact that at 30 June 2021. the municipality had an accumulated surplus (deficit) of R 2,487.846,893 and that the municipality's total liabilities exceed its assets by R 2,526,930.404.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these 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 continued to 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 throughout the year.

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

The revenue collection on fines, penalties, service charges, licenses and permits are a few of the income streams which were affected due to the pandemic. The pandemic has affected all customers of the municipality and there is uncertainty on whether the customers will be able to settle their accounts on time. The effects of the pandemic were factored in the calculations of provision for bad debts as required by GRAP 104, taking into account the impact on the collection levels of outstanding debtors for the year under review.

Management has further considered the impact, should the rate of Covid-19 infections increase in the near future. 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.

53. Going concern (continued)

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

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

54. Accounting by principals and agents

Integrated National Electrification Programme

The entity is a party to principal-agent arrangements. The details of the arrangements are disclosed below:

Details of the arrangement is as follows:

The purpose of the arrangement is to provide electricity to unelectrified urban and rural households and installing infills, therefore eradicating the household electrification backlog and ensuring universal access to electricity.The municipality is also responsible for appointing contractors and consultants to execute the project, to enable Eskom to energise the electrified households.

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

Significant risks have been identified as follows:
Significant risks are inventory risks, electrification not conducted as per the designs, the contractor leaving the site before completion, the use of sub-standard material and employees not paid by the contractor.

Mitigation strategies and benefits associated with the relationship are as follows:
Service Provider appointed and assumes for the work done and inventory risks associated as outlined in the award lett
Department of Energy is monitoring the project in phases
Retention and surety is withheld in each phase of the installation
Project steering committee had been established to monitor the project

Entity as agent

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

During the financial year, the municipality received funds totalling R 4,000,000 in addition to the unspent opening balance of R10,495,022. All the resources received have been utilised in the financial year, with no unspent funds remaining at the end of the year.

Revenue recognised

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

Liabilities and corresponding rights of reimbursement recognised as assets

No liabilities have been incurred on behalf of Eskom have been recognised by the municipality.

Housing Development Project

Figures in Rand	2021	2020

54. Accounting by principals and agents (continued)

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

Details of the arrangement is as follows:

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

Significant terms and conditions of the arrangement are as follows:
The municipality to manaage and procure the implementation of the project.
Design the product in consultation with all stakeholders.
Investigate building systems and designs that are acceptable with the community, the municipality and the Department.
Construct the project in accordance with the drawings and specifications within the period of the agreement.

Significant risks have been identified as follows:
The significant risks identified are delays in land acquisitions, Delays in funding approval, Social unrest, Inadequate funding to meet the requirements, and environmental risks

Mitigation strategies and benefits associated with the relationship are as follows:
Negotiating with land owners prior to the construction
Ensuring compliance with the agreements to ensure speedy release of the funding
Constant communication with the community and ensuring public participation
Be pro-active in the feasibilty study to be aware of the evironmental pre-conditions

Entity as agent

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

During the financial year, the municipality received funds totalling R 40,972,075 in addition to the unspent opening balance of R37,890,618. The remaining funds to be spent at end of the financial year is R 43,056,188

Revenue recognised

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

Liabilities and corresponding rights of reimbursement recognised as assets

No liabilities have been incurred on behalf of Human Settlements have been recognised by the municipality..

55. Events after the reporting date

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

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

56. Unauthorised expenditure

	2021	2020
Opening balance as previously reported	28,669,442	21,121,291
Opening balance as restated	**28,669,442**	**21,121,291**
Add: Expenditure identified - current	2,026,081	28,669,442
Less: Approved/condoned/authorised by council	(28,669,442)	(21,121,291)
Closing balance	**2,026,081**	**28,669,442**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

56. Fines, Penalties and Forfeits (continued)

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

Non-cash	-	17,997,076
Cash	2,026,081	10,672,366
	2,026,081	**28,669,442**

Analysed as follows: non-cash

Loss on disposal of property, plant and equipment	-	5,926,829
Impairment loss on cash and non-cash generating assets	-	12,070,247
	-	**17,997,076**

Analysed as follows: cash

Contracted services	1,578,902	10,672,367
Finance costs	447,178	-
	2,026,080	**10,672,367**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

57. Fruitless and wasteful expenditure

Opening balance as previously reported	7,920,609	7,006,492
Opening balance as restated	**7,920,609**	**7,006,492**
Add: Expenditure identified - current	514,876	914,117
Closing balance	**8,435,485**	**7,920,609**

Expenditure identified in the current year include those listed below:

	Description of expenditure		
Finance Costs	Interest costs incurred due to the late payment of invoices to suppliers	514,876	4,630
Contracted services	Payment for work not performed by the service provider	-	892,791
Operational costs	Reconnection fees paid to Eskom and cancellation fees on accommodation	-	16,696
		514,876	**914,117**

Investigations and disciplinary action has been taken against employees related to Fruitless and Wasteful Expenditure. Outcomes are awaited in terms of recovery and will be reported accordingly

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

58. Irregular expenditure

Opening balance as previously reported	21,003,003	39,022,246
Opening balance as restated	**21,003,003**	**39,022,246**
Add: Irregular Expenditure - current	51,744	847,132
Less: Amount written off - current	-	(18,866,375)
Closing balance	**21,054,747**	**21,003,003**

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

Competitive bidding not invited (Provision for monthly support was not included in the tender document)	-	768,830
Three written quotations not invited	-	78,302
Non-Compliance with the SCM Regulation	51,744	-
	51,744	**847,132**

The above mentioned irregular expenditure is inclusive of VAT.

59. Deviation from supply chain management regulations

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

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

Provision for monthly support in respect of Ovvio Software System, urgent maintenance of BOA Recycling Systems Baler Machine, and urgent replacement of a laptop motherboard were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Section 36 (ii) - Such goods and services are produced by or available from a single provider only	279,428	-
Section 36 (v) - An exceptional case where it is impractical or impossible to follow the official procurement processes.	21,160	398,121
	300,588	**398,121**

60. In-kind donations and assistance

The following goods were received in kind by the Alfred Duma Local Municipality during the year by way of donations:		
Sanitiser - 1 x 20 Liter	-	1,000
Surgical Masks x 3000	-	59,970
Sanitiser - 1000 x 50ml	-	7,000
Cloth Masks x 400	-	10,000
Sanitiser - 15 x 5 Liter	-	3,900
Gloves - 15 Boxes	-	4,500
Land donated by a private developer	3,456,200	-
	3,456,200	**86,370**

The items donated were to assist the Municipality in terms of the COVID-19 pandemic. Land was durther donated to the municipality during the financial year under review.

Notes to the Annual Financial Statements

61. Segment information

General information

Identification of segments

In accordance with GRAP 18, Segment Reporting, a segment as an activity of the municipality 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 it's performance; and for which **separate financial information** is available. The municipality has identified various activities within the municipality that meets the definition of a segment.

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

Aggregated segments

The municipality operates throughout Alfred Duma jurisdiction. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the municipality jurisdiction 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
Segment 1	Public Safety
Segment 2	Town Planning and Local Economic Development
Segment 3	Solid Waste and Cleansing
Segment 4	Public Works and Roads
Segment 5	Community Facilities
Segment 6	Public Safety
Segment 7	Electricity

Notes to the Annual Financial Statements

Figures in Rand

61. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Town Planning and Local Economic Development	Solid Waste and Cleansing	Public Works and Roads	Community Facilities	Public Safety	Electricity	Total
Revenue							
Revenue from non-exchange transactions	74,712,444	65,848,640	-	2,036,558	13,833,974	18,423,600	174,855,216
Revenue from exchange transactions	282,247	35,144,087	-	613,141	6,045,934	381,924,249	424,009,658
Total segment revenue	**74,994,691**	**100,992,727**	**-**	**2,649,699**	**19,879,908**	**400,347,849**	**598,864,874**
Unallocated - Revenue from non-exchange transactions							475,944,393
Unallocated - Revenue from exchange transactions							19,732,036
Unallocated - Gain on inventory net realisable value							800,600
Unallocated - Gain - Fair value adjustments							2,018,996
Total revenue reconciling items							**498,496,025**
Entity's revenue							**1,097,360,899**
Expenditure							
Employee related costs	(44,737,456)	(22,223,839)	(6,746,819)	(30,057,681)	(35,758,039)	(38,901,452)	(178,425,286)
Contracted services	(6,152,386)	(307,357)	-	(655,410)	(8,393,189)	(8,386,766)	(23,895,108)
Depreciation and amortisation	(63,115,451)	-	-	(14,946,116)	(1,229,950)	(6,876,401)	(86,167,918)
Bulk purchases	-	-	-	-	-	(275,456,200)	(275,456,200)
Inventory consumed	(8,885,208)	(695,791)	(136,433)	(677,829)	(441,483)	(3,159,016)	(13,995,760)
Transfers and subsidies	-	-	-	-	-	(10,379,409)	(10,379,409)
Operating leases	(53,986)	-	-	(117,461)	(117,461)	(53,986)	(342,894)
Finance costs	-	-	-	-	-	(260,354)	(260,354)
Operational cost	(787,311)	(869,837)	(16,852)	(5,061,011)	(9,818,767)	(15,829,171)	(32,382,949)
Debt impairment and impairment on assets	-	(6,994,605)	-	-	-	(9,245,743)	(16,240,348)
Total segment expenditure	**(123,731,798)**	**(31,091,429)**	**(6,900,104)**	**(51,515,508)**	**(55,758,889)**	**(368,548,498)**	**(637,546,226)**

Notes to the Annual Financial Statements

Figures in Rand

	Town Planning and Local Economic Development	Solid Waste and Cleansing	Public Works and Roads	Community Facilities	Public Safety	Electricity	Total
61. Segment information (continued)							
Total segmental surplus/(deficit)							**(139,050,201)**
Unallocated - Contracted services							(43,051,207)
Unallocated - Employee related cost							(154,859,338)
Unallocated - Finance costs							(653,860)
Unallocated - Inventory consumed							(712,781)
Unallocated - Operating leases							(1,414,180)
Unallocated -Operational cost							(38,305,714)
Unallocated -Remuneration of Councillors							(26,427,751)
Unallocated -Depreciation and amortisation							(5,686,588)
Unallocated -Debt impairment and impairment on assets							(46,728,831)
Unallocated -Loss on disposal of assets							(4,725,682)
Total revenue reconciling items							498,496,025
Entity's surplus (deficit) for the period							**137,458,741**
Assets							
Segment assets acquisitions	-	-	(38,641,655)	(16,905,718)	(803,390)	(19,030,078)	(75,380,841)
Unallocated assets acquisitions							(15,377,004)
Total assets as per Statement of financial Position							**(90,757,845)**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

62. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2021	2020
Current year subscription / fee	4,135,565	3,829,290
Amount paid - current year	(4,135,565)	(3,829,290)
	-	-

Audit fees

	2021	2020
Current year subscription / fee	4,637,479	4,777,618
Amount paid - current year	(4,637,479)	(4,777,618)
	-	-

PAYE, SDL and UIF

	2021	2020
Current year subscription / fee	50,808,620	47,608,677
Amount paid - current year	(46,829,343)	(47,608,677)
	3,979,277	-

Pension and Medical Aid Deductions

	2021	2020
Current year subscription / fee	66,730,558	63,316,336
Amount paid - current year	(66,730,558)	(63,316,336)
	-	-

VAT

	2021	2020
VAT receivable	263,412,982	190,233,694
VAT payable	262,978,468	184,866,859
	5[illegible],391,450	**375,100,553**

VAT output payables and VAT input receivables are shown in note

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2021 relating to consumer accounts as well as cellphone accounts

30 June 2021	Outstanding more than 90 days R	Total R
Cllr Mbatha NTA	26,359	26,359
Cllr Mbhense M	1,404	1,404
Cllr Radebe D	3,046	3,046
Cllr Vilakazi N	115,069	115,069
Cllr Xaba T	2,634	2,634
Cllr Hlubi G	12,574	12,574
Cllr Kubheka LBM	953	953
Cllr Mavuso LBM	2,362	2,362
Cllr Mazibuko D	20,320	20,320
Cllr Mchunu T	14,073	14,073

Figures in Rand	2021	2020
62. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Cllr Mlotshwa MN	24,942	24,942
Cllr Mun Njoko TP	3,686	3,686
Cllr Myende ZE	608	608
Cllr Radebe DJ	6,930	6,930
Cllr Vilakazi HB&SD	418	418
Cllr Vilakazi NE	2,153	2,153
	237,531	**237,531**

63. Budget differences

Material differences between budget and actual amounts

The excess of the actual expenditure over the final budget of 10% is explained below:

Contracted services -The increase in the actual expenditure is due to the increased security costs required by the municipality.

Finance Charges - The increase in the actual expenditure is due to interest being incurred due to late payment of accounts

Other expenditure - Decrease in spending due to Covid-19 lockdown during the 2020/2021 financial year, including level 4 lockdown.

Contribution recognised - capital donated assets - During the financial year under review, land was donated to the municipality by a private developer.

Remuneration of Councillors – The expenditure was lower than budget as the expected increase in the Upper Limits for Councillors was not approved in the 2021 financial year.

Debt Impairment – A smaller contribution to debtors impairment were required than anticipated, due to higher write offs of traffic fine and consumer debtors.