



CITY OF
uMHLATHUZE
VISION INTO ACTION

City of uMhlathuze
Annual Financial Statements
for the year ended 30 June 2021

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

General Information

Nature of business and principal activities

Local government

Executive Committee

ClIr MG Mhlongo (Mayor)
ClIr KD Sibiyi (Deputy Mayor)
ClIr SG Mkhize (Speaker)
ClIr CM Botha (Exco)
ClIr TS Gumede (Exco)
ClIr BC Mthembu (Exco)
ClIr K Mthethwa (Exco)
ClIr DJ Ndimande (Exco)
ClIr TM Phahla (Exco)
ClIr M Sookroo (Exco)
ClIr RM Zikhali (Exco)
ClIr SB Mabaso (Chairperson of section 79 MPAC)

Chief Finance Officer

Mr M Kunene

Accounting Officer

Mr LH Mapholoba

Registered Office

5 Mark Strasse
Central Business District
Richards Bay
3900

Auditors

Auditor-General South Africa

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Index

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

	Page
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance for the year ended 30 June 2021	5
Statement of Changes in Net Assets for the year ended 30 June 2021	6
Cash Flow Statement for the year ended 30 June 2021	7
Statement of Budget Comparison and Actual Amounts for the year ended 30 June 2021	8 - 13
Appropriation Statement	14 - 13
Accounting Policies for the year ended 30 June 2021	14 - 33
Notes to the Annual Financial Statements for the year ended 30 June 2021	34 - 81
Appendixes (not subject to audit):	
Appendix A: Schedule of External loans as at 30 June 2018	82
Appendix B: Analysis of Property, Plant and Equipment as at 30 June 2018	83
Appendix F: Disclosure of Grants and Subsidies in terms of Section 123 , MFMA , 56 of 2003	86

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IUDG	Intergrated Urban Development Grant
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act

City of uMhlatuze

Annual Financial Statements for the year ended 30 June 2021

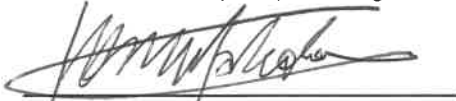
Accounting Officer's Responsibilities and Approval

The City of uMhlatuze, situated at 5 Mark Strasse, Richards Bay, is a category B Municipality, established in terms of section 12(1) of the Municipal Structures Act, 1998 (Act No. 117 of 1998) and published in terms of the Provincial Government Notice 346 on 19 September 2000. The Local Government operations of the Municipality are assigned by section 156 and 229 of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996) and are defined specifically in terms of section 83 of the Municipal Structures Act 1998 (Act No.117 of 1998).

The annual financial statements set out on page 4-81 which have been prepared on the going concern basis by the accounting officer in terms of section 126 (1) of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) and were signed off by the accounting officer on 31 August 2021.

I certify that the salaries, allowances and benefits of Councillors and payments made to Councillors for loss of office, if any, as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act, 1998 (Act No 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

As required by Section 45 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) and Section 121(4)(a) and (b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and Gazette number 43582 the Annual Financial Statements were submitted to the Auditor-General South Africa (AGSA) on 31 August 2021.



Mr LH Mapholoba
Accounting Officer

Auditor-General of South Africa

City of uMhlathuze

Auditor's report for the year ending 30
June 2021

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council on the City of uMhlathuze Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the City of uMhlathuze set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2021, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the City of uMhlathuze as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2020 (Act No.4 of 2020) (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material losses – water

7. As disclosed in note 31 to the financial statements, material water losses of R260,98 million (2019-2020: R256,92 million) was incurred, which represents 45% (2019-2020: 45%) of total water purchased. These losses were because of water theft, meter inaccuracy and leakage in transmission and distribution of water to reservoirs and consumers.

Material impairment and losses - receivables from exchange transactions

8. As disclosed in note 4 to the financial statements, the municipality increased its debt impairment to R340,32 million (2019-20: R249,72 million) as the recoverability of these amounts was considered to be doubtful.
9. As disclosed in note 4 to the financial statements, losses of R51,73 million (2019-20: R5,76 million) were incurred by the municipality because of a write-off of irrecoverable consumer debtors against the impairment allowance.

Material impairment and losses - statutory receivables

10. As disclosed in note 3 to the financial statements, statutory receivables were impaired by a total of R153,41 million (2019-20: R206,60 million) as the recoverability of these amounts was doubtful.
11. As disclosed in note 3 to the financial statements, losses of R113,44 million (2019-20: R1,26 million) were incurred by the municipality because of a write-off of irrecoverable statutory receivables.

Other matter

12. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

13. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

14. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
15. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

16. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
17. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

18. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected key performance area presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
19. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievement in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
20. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for *the basic services delivery and infrastructure development key performance area* presented in the municipality's annual performance report on pages xx to xx for the year ended 30 June 2021.
21. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
22. I did not identify any material findings on the usefulness and reliability of the reported performance information for *the basic services delivery and infrastructure development key performance area*.

Other matters

23. I draw attention to the matters below.

Achievement of planned targets

24. The annual performance report on pages xx to xx sets out information on the achievement of planned targets for the year.

Adjustment of material misstatements

25. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the *basic service delivery and infrastructure development key performance area*. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

26. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
27. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

28. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected key performance area presented in the annual performance report that have been specifically reported in this auditor's report.
29. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
30. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected key performance area presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
31. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I

am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

32. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
33. I did not identify any significant deficiencies in internal control.

Other report

34. I draw attention to the following engagement conducted that had, or could have an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigation

35. The municipality requested an independent consultant to conduct an investigation into the prior year irregular expenditure. The investigation related to the appointment of a service provider in 2019-20 for the development of the enterprise resource system and whether value for money was obtained for developed modules. The investigation was concluded and the recommendations were still being implemented at the date of my report.

Auditor - General

Pietermaritzburg

30 November 2021



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on the reported performance information for the selected key performance area and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the City of uMhlathuze Municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other

matters that may reasonably be thought to have a bearing on my independence and, where applicable, the actions taken to eliminate threats or the safeguards applied. s

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	2	115 692 489	115 630 645
Statutory receivables	3	70 014 755	40 002 295
Receivables from exchange transactions	4	400 741 831	377 213 849
Other receivables	5	25 149 235	22 958 937
Cash and cash equivalents	6	820 690 308	599 918 428
		1 432 288 618	1 155 724 154
Non-Current Assets			
Investment property	7	86 757 024	87 281 139
Property, plant and equipment	8	5 977 892 377	6 111 264 163
Intangible assets	9	168 192 035	123 603 808
Heritage assets	10	2 464 611	2 464 611
		6 235 306 047	6 324 613 721
Total Assets		7 667 594 665	7 480 337 875
Liabilities			
Current Liabilities			
Other financial liabilities	11	90 435 332	76 066 578
Payables from exchange transactions	12	510 673 606	523 642 911
VAT payable	13	52 575 192	22 487 999
Consumer deposits	14	54 304 470	61 827 916
Unspent conditional grants and receipts	15	10 640 276	23 344 401
Provisions	16	23 685 565	21 822 141
		742 314 441	729 191 946
Non-Current Liabilities			
Other financial liabilities	11	540 422 832	540 787 819
Employee benefit obligation	17	331 740 000	287 985 000
		872 162 832	828 772 819
Total Liabilities		1 614 477 273	1 557 964 765
Net Assets		6 053 117 392	5 922 373 110
Accumulated surplus	18	6 053 117 392	5 922 373 110
Total Net Assets		6 053 117 392	5 922 373 110

* See Note 41

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance for the year ended 30 June 2021

		2021	2020 Restated*
	Note(s)		
Revenue			
Revenue from exchange transactions			
Service charges	19	2 201 504 255	2 015 381 016
Rental of facilities and equipment		8 674 724	10 193 693
Interest received - outstanding debtors		178 195	153 447
Agency services		7 840 537	5 660 351
Licences and permits		3 247 909	2 753 893
Operational revenue	20	23 090 947	49 671 982
Interest revenue - investments	21	32 646 390	46 357 920
Total revenue from exchange transactions		2 277 182 957	2 130 172 302
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	551 172 687	508 159 117
Interest revenue - property rates	22	4 021 969	3 424 766
Surcharges and Taxes		14 438 855	4 665 230
Transfer revenue			
Transfers and subsidies	23	679 342 983	544 420 879
Public contributions and donations	24	357 987	251 238
Fines, Penalties and Forfeits	25	64 876 170	75 932 191
Total revenue from non-exchange transactions		1 314 210 651	1 136 853 421
Total revenue		3 591 393 608	3 267 025 723
Expenditure			
Employee related costs	26	948 571 754	854 534 418
Remuneration of councillors	27	31 203 745	31 478 088
Depreciation and amortisation	28	346 458 822	355 496 937
Impairment loss		1 214 030	868 309
Finance costs	29	59 021 447	66 789 578
Debt Impairment	30	202 581 992	230 050 769
Bulk purchases	31	1 191 180 609	1 053 285 132
Contracted services	32	249 876 325	342 649 076
Transfers and subsidies	33	9 381 576	12 952 851
Loss on disposal of assets and liabilities		90 680 918	3 547 466
Operating expenses	34	322 530 013	274 476 705
Total expenditure		3 452 701 231	3 226 129 329
Surplus for the year from continuing operations		138 692 377	40 896 394
Actuarial (Loss) / Gains	17	(7 948 093)	5 234 281
Surplus for the year		130 744 284	46 130 675

* See Note 41

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets for the year ended 30 June 2021

	Accumulated surplus	Total net assets
Opening balance as previously reported - 30 June 2019	5 923 209 341	5 923 209 341
Adjustments:		
Prior year adjustments	(46 966 906)	(46 966 906)
Restated* Balance at 01 July 2019	5 876 242 435	5 876 242 435
Changes in net assets		
Surplus for the year	46 130 675	46 130 675
Total changes	46 130 675	46 130 675
Restated* Balance at 01 July 2020	5 922 373 108	5 922 373 108
Changes in net assets		
Surplus for the year	130 744 284	130 744 284
Total changes	130 744 284	130 744 284
Balance at 30 June 2021	6 053 117 392	6 053 117 392

* See Note 41

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement for the year ended 30 June 2021

	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Service charges and property rates		2 578 040 563	2 373 284 793
Transfers and subsidies		673 638 858	557 718 010
Interest revenue		30 838 886	46 357 920
Other receipts		59 783 551	105 974 020
		<u>3 342 301 858</u>	<u>3 083 334 743</u>
Payments			
Employee costs		(943 968 592)	(815 181 993)
Suppliers		(1 773 312 730)	(1 612 367 014)
Finance costs		(59 021 447)	(66 789 578)
Transfers and subsidies		(9 381 576)	(13 382 160)
		<u>(2 785 684 345)</u>	<u>(2 507 720 745)</u>
Net cash flows from operating activities	37	<u>556 617 513</u>	<u>575 613 998</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(387 106 619)	(343 630 925)
Proceeds from sale of property, plant and equipment	8	92 823 240	16 297 680
Purchase of other intangible assets	9	(55 495 677)	(23 737 505)
Net cash flows from investing activities		<u>(349 779 056)</u>	<u>(351 070 750)</u>
Cash flows from financing activities			
Proceeds from other financial liabilities		90 000 000	-
Repayment of long-term liabilities		(76 066 577)	(85 779 553)
Net cash flows from financing activities		<u>13 933 423</u>	<u>(85 779 553)</u>
Net increase/(decrease) in cash and cash equivalents		<u>220 771 880</u>	<u>138 763 695</u>
Cash and cash equivalents at the beginning of the year		599 918 428	461 154 733
Cash and cash equivalents at the end of the year	6	<u>820 690 308</u>	<u>599 918 428</u>

* See Note 41

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Statement of Budget Comparison and Actual Amounts for the year ended 30 June 2021

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amount as % of final budget
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	2 307 051 300	(23 152 600)	2 283 898 700	2 201 504 255	(82 394 445)	96,39 %
Rental of facilities and equipment	11 163 700	(1 108 800)	10 054 900	8 674 724	(1 380 176)	86,27 %
Interest received - outstanding debtors	114 000	-	114 000	178 195	64 195	156,31 %
Agency services	5 970 400	-	5 970 400	7 840 537	1 870 137	131,32 %
Licences and permits	3 406 700	-	3 406 700	3 247 909	(158 791)	95,34 %
Operational income	64 007 800	(28 832 300)	35 175 500	23 090 947	(12 084 553)	65,64 %
Interest received - investment	63 000 000	(5 000 000)	58 000 000	32 646 390	(25 353 610)	56,29 %
Total revenue from exchange transactions	2 454 713 900	(58 093 700)	2 396 620 200	2 277 182 957	(119 437 243)	-
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	540 840 000	18 567 800	559 407 800	551 172 687	(8 235 113)	98,53 %
Interest revenue - property rates	-	-	-	4 021 969	4 021 969	- %
Surcharges and Taxes	-	-	-	14 438 855	14 438 855	- %
Transfer revenue						
Government grants & subsidies	608 500 000	65 617 000	674 117 000	679 342 983	5 225 983	100,78 %
Public contributions and donations	-	-	-	357 987	357 987	- %
Fines, Penalties and Forfeits	10 596 900	(3 090 000)	7 506 900	64 876 170	57 369 270	864,22 %
Total revenue from non-exchange transactions	1 159 936 900	81 094 800	1 241 031 700	1 314 210 651	73 178 951	
Total revenue	3 614 650 800	23 001 100	3 637 651 900	3 591 393 608	(46 258 292)	

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Statement of Budget Comparison and Actual Amounts for the year ended 30 June 2021

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amount as % of final budget
Expenditure						
Remuneration of employees	(986 781 100)	5 000 400	(981 780 700)	(948 571 754)	33 208 946	96,62 %
Remuneration of councillors	(34 025 600)	(291 100)	(34 316 700)	(31 203 745)	3 112 955	90,93 %
Depreciation and amortisation	(474 572 500)	55 573 200	(418 999 300)	(346 458 822)	72 540 478	82,69 %
Impairment loss/ Reversal of impairments	-	-	-	(1 214 030)	(1 214 030)	- %
Finance costs	(79 943 200)	-	(79 943 200)	(59 021 447)	20 921 753	73,83 %
Debt Impairment	(35 000 000)	(55 060 600)	(90 060 600)	(202 581 992)	(112 521 392)	224,94 %
Other Materials	(143 839 600)	(7 363 600)	(151 203 200)	(84 475 656)	66 727 544	55,87 %
Bulk purchases	(1 139 015 900)	(9 344 700)	(1 148 360 600)	(1 191 180 609)	(42 820 009)	103,73 %
Contracted Services	(289 826 700)	(56 106 500)	(345 933 200)	(249 876 325)	96 056 875	72,23 %
Transfers and Subsidies	(13 778 000)	(600 000)	(14 378 000)	(9 381 576)	4 996 424	65,25 %
Operating expenses	(288 491 000)	(50 275 700)	(338 766 700)	(238 050 457)	100 716 243	70,27 %
Total expenditure	(3 485 273 600)	(118 468 600)	(3 603 742 200)	(3 362 016 413)	241 725 787	-
Operating surplus	129 377 200	(95 467 500)	33 909 700	229 377 195	195 467 495	
Loss on disposal of assets and liabilities	-	-	-	(90 680 918)	(90 680 918)	- %
Surplus before taxation	129 377 200	(95 467 500)	33 909 700	138 696 277	104 786 577	-
Surplus for the year from continuing operations	129 377 200	(95 467 500)	33 909 700	138 696 277	104 786 577	-
Actuarial gains / (losses)	-	-	-	(7 948 093)	(7 948 093)	
Surplus for the year	129 377 200	(95 467 500)	33 909 700	130 748 184	96 838 484	-

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Statement of Budget Comparison and Actual Amounts for the year ended 30 June 2021

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amount as % of final budget
Statement of Financial Position						
Assets						
Current Assets						
Inventories	75 620 242	-	75 620 242	115 692 489	40 072 247	152,99 %
Statutory receivables	129 865 161	-	129 865 161	70 014 755	(59 850 406)	53,91 %
Receivables from exchange transactions	414 157 604	4 069 255	418 226 859	400 741 831	(17 485 028)	95,82 %
Other receivables	-	-	-	25 149 235	25 149 235	- %
Cash and cash equivalents	367 282 443	54 577 462	421 859 905	820 690 308	398 830 403	194,54 %
	986 925 450	58 646 717	1 045 572 167	1 432 288 618	386 716 451	- %
Non-Current Assets						
Investment property	86 751 438	(10 312)	86 741 126	86 757 024	15 898	100,02 %
Property, plant and equipment	6 584 927 708	(117 296 238)	6 467 631 470	5 977 892 377	(489 739 093)	92,43 %
Intangible assets	136 054 594	29 826 015	165 880 609	168 192 035	2 311 426	101,39 %
Heritage assets	2 464 611	-	2 464 611	2 464 611	-	100,00 %
	6 810 198 351	(87 480 535)	6 722 717 816	6 235 306 047	(487 411 769)	- %
Total Assets	7 797 123 801	(28 833 818)	7 768 289 983	7 667 594 665	(100 695 318)	- %
Liabilities						
Current Liabilities						
Other financial liabilities	100 080 123	-	100 080 123	90 435 332	(9 644 791)	90,36 %
Payables from exchange transactions	353 179 683	-	353 179 683	510 673 607	157 493 924	144,59 %
VAT payable	1 019 987	-	1 019 987	52 575 192	51 555 205	5 154,50 %
Consumer deposits	71 451 731	-	71 451 731	54 304 470	(17 147 261)	76,00 %
Unspent conditional grants and receipts	12 698 912	1 094 588	13 793 500	10 640 276	(3 153 224)	77,14 %
Provisions	15 888 791	5 933 350	21 822 141	23 685 565	1 863 424	108,54 %
	554 319 227	7 027 938	561 347 165	742 314 442	180 967 277	132,24 %

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Statement of Budget Comparison and Actual Amounts for the year ended 30 June 2021

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amount as % of final budget
Non-Current Liabilities						
Other financial liabilities	657 641 256	-	657 641 256	540 422 832	(117 218 424)	82,2 %
Employee benefit obligation	247 429 000	(3 501 000)	243 928 000	331 740 000	87 812 000	136,0 %
	905 070 256	(3 501 000)	901 569 256	872 162 832	(29 406 424,0)	96,7 %
Total Liabilities	1 459 389 483	3 526 938	1 462 916 421	1 614 477 274	151 560 853	110,36 %
Net Assets	6 337 734 318	(32 360 756)	6 305 373 562	6 053 117 391	(252 256 171)	96,00 %
Net Assets						
Reserves						
Capital replacement reserve	296 000 000	-	296 000 000	-	(296 000 000)	- %
Accumulated surplus	6 041 734 318	(32 360 756)	6 009 373 562	6 053 117 391	43 743 829	100,73 %
Total Net Assets	6 337 734 318	(32 360 756)	6 305 373 562	6 053 117 391	(252 256 171)	96,00 %

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Statement of Budget Comparison and Actual Amounts for the year ended 30 June 2021

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amount as % of final budget
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	519 206 400	17 825 088	537 031 488	523 417 298	(13 614 190)	97,46 %
Service charges	2 144 999 520	(50 452 012)	2 094 547 508	2 067 427 637	(27 119 871)	98,71 %
Grants	608 500 000	65 617 000	674 117 000	673 638 858	(478 142)	99,93 %
Interest income	63 114 000	(5 000 000)	58 114 000	39 964 971	(18 149 029)	68,77 %
Other receipts	95 145 500	(33 031 100)	62 114 400	63 861 121	1 746 721	102,81 %
	3 430 965 420	(5 041 024)	3 425 924 396	3 368 309 885	(57 614 511)	98,32 %
Payments						
Employee costs	(986 781 100)	5 000 400	(981 780 700)	(943 968 592)	37 812 108	96,15 %
Suppliers	(1 802 786 366)	(93 780 040)	(1 896 566 406)	(1 804 516 435)	92 049 971	95,15 %
Finance costs	(79 943 200)	-	(79 943 200)	(59 021 447)	20 921 753	73,83 %
Other cash item	(13 778 000)	(600 000)	(14 378 000)	(9 381 576)	4 996 424	65,25 %
	(2 883 288 666)	(89 379 640)	(2 972 668 306)	(2 816 888 050)	155 780 256	94,76 %
Net cash flows from operating activities	547 676 754	(94 420 664)	453 256 090	551 421 835	98 165 745	
Cash flows from investing activities						
Purchase of property, plant and equipment	(662 694 984)	(77 243 239)	(739 938 223)	(387 106 619)	352 831 604	52,32 %
Proceeds from sale of property, plant and equipment	-	103 500 000	103 500 000	98 018 919	(5 481 081)	94,70 %
Purchase of other intangible assets	-	-	-	(55 495 677)	(55 495 677)	- %
Net cash flows from investing activities	(662 694 984)	26 256 761	(636 438 223)	(344 583 377)	291 854 846	54,14 %
Cash flows from financing activities						
Proceeds from financial liabilities	237 000 000	-	237 000 000	90 000 000	(147 000 000)	
Repayment of other financial liabilities	(96 048 446)	-	(96 048 446)	(76 066 577)	19 981 869	
Movement in consumer deposits	-	1 450 790	1 450 790	-	(1 450 790)	
Net cash flows from financing activities	140 951 554	1 450 790	142 402 344	13 933 423	(128 468 921)	
Net increase/(decrease) in cash and cash equivalents	25 933 324	(66 713 113)	(40 779 789)	220 771 881	261 551 670	(541,38)%
Cash and cash equivalents at the beginning of the year	341 349 118	224 909 226	566 258 344	599 918 428	33 660 084	105,94 %
Cash and cash equivalents at the end of the year	367 282 442	158 196 113	525 478 555	820 690 309	295 211 754	156,18 %

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Statement of Budget Comparison and Actual Amounts for the year ended 30 June 2021

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amount as % of final budget
Capital expenditure						
Finance and Administration	34 516 900	70 417 600	104 934 500	81 644 297	(23 290 203)	77,81 %
Community and Social Services	26 328 000	7 380 100	33 708 100	7 966 839	(25 741 261)	23,63 %
Energy Sources	85 536 800	6 148 200	91 685 000	51 407 798	(40 277 202)	56,07 %
Executive and Council	130 000	(79 000)	51 000	20 868	(30 132)	40,92 %
Housing	-	6 265 400	6 265 400	4 567 038	(1 698 362)	72,89 %
Environmental protection	1 600 000	(1 165 800)	434 200	424 855	(9 345)	97,85 %
Planning and Development	3 090 000	3 210 300	6 300 300	1 514 295	(4 786 005)	24,04 %
Public Safety	1 158 000	87 000	1 245 000	608 849	(636 151)	48,90 %
Sport and Recreation	27 847 000	8 243 900	36 090 900	21 924 053	(14 166 847)	60,75 %
Waste Management	3 604 000	1 777 800	5 381 800	2 620 000	(2 761 800)	48,68 %
Waste Water Management	48 604 900	57 314 400	105 919 300	22 752 995	(83 166 305)	21,48 %
Water	274 092 900	(53 254 700)	220 838 200	185 935 335	(34 902 865)	84,20 %
Road Transport	165 325 600	(15 470 800)	149 854 800	59 544 895	(90 309 905)	39,74 %
Total expenditure	671 834 100	90 874 400	762 708 500	440 932 117	(323 796 106)	58%

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies for the year ended 30 June 2021

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.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) with the exception of certain accounting policies adopted in accordance with International Accounting Standards (IAS).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below:

- GRAP 1 Presentation of Financial Statement
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Error
- GRAP 5 Borrowing Costs
- GRAP 9 Revenue from Exchange Transactions
- 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 Asset
- GRAP 20 Related Party
- GRAP 21 Impairment of non-cash generating asset
- GRAP 23 Revenue from Non-exchange transactions
- GRAP 24 Presentation of budget information
- GRAP 25 Employee benefits
- GRAP 26 Impairment of cash generating assets
- GRAP 31 Intangible Assets
- GRAP 25 Employee benefits
- GRAP 100 Non-Current Assets Held for Sale and Discontinued Operations
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- Grap 20 Related Party
- GRAP 106 Transfer of Functions between entities not under common Control
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the Municipality:

-
- IGRAP 21 The effect of past decisions on materiality - effective 1 April 2023
- IGRAP 32 The limit on a defined benefit asst, minimum funding requirements and their interaction - no effective date yet)

The following GRAP standards have been issued and effective but are not applicable to the Municipality.

- GRAP 4 The effects of changes in foreign exchange rates
- GRAP 6 Consolidated and separate financial statements
- GRAP 7 Investments in associate
- GRAP 8 Interest in joint ventures
- GRAP 10 Financial reporting in hyperinflationary economics
- GRAP 27 Agriculture
- GRAP 32 Standard of GRAP on Service Concession Arrangements: Grantor

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies for the year ended 30 June 2021

1.1 Presentation currency

These annual financial statements are presented in South African Rand. The figures are rounded off to the nearest rand.

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.

Management considers key financial metrics and approved medium-term budgets, MFMA Section 71 reports together with the municipality's dependency on grants from national and provincial government, to conclude that the going concern assumption used in the compiling of its annual financial statements, is appropriate. The COVID-19 disaster has not yet affected the going concern assumption however management is continuously assessing any indicators of negative impact particularly increases in accounts receivables.

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.

Materiality has been considered in determining whether information is required to be recognised, measured, presented and disclosed in accordance with the requirements in the Standards of GRAP as well as assessing the effect of omissions, misstatements and errors on the financial statements.

Budget information

Variances between budget and actual amounts are regarded as material when there is a variance of:

- 20% or greater in the statement of financial position, the statement of financial performance and the cash flow statement

1.4 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.5 Significant judgements and sources of estimation uncertainty

The preparation of the Municipality's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Municipality's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Operating lease – Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies for the year ended 30 June 2021

1.5 Significant judgements and sources of estimation uncertainty (continued)

Depreciation and impairment

The Municipality depreciates its assets over their estimated useful lives taking into account residual values, where appropriate. The appropriateness of its assets' estimated useful lives, residual values and their depreciation methods are re-assessed on an annual basis. The actual lives of these assets and their respective residual values may vary depending on a variety of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

Management used their judgement in applying the internal and external impairment indicators to its assets.

Consumer receivables

At year-end management makes an estimate of the amount of total outstanding customer debt that it expects to hand over to external debt collectors and the total subsequent receipts it expects to receive after year end. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over and based on prior experience and trends. A provision for impairment is raised based on these estimates.

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.

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 every 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 17.

1.6 Comparative figures

Prior year Comparative

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

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Current year Comparative

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.7 Property, plant and equipment

Initially recognition

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 year.

City of uMhlatuze

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies for the year ended 30 June 2021

1.7 Property, plant and equipment (continued)

Infrastructure assets in particular are those that are part of a system or network, specialized in nature and do not have alternative uses, immovable and maybe subject to constraints on disposal.

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

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of 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 the municipality.

Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality on each asset.

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

The Municipality assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value. The change(s) are accounted for in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Depreciation only commences when the asset is available for use.

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

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

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies for the year ended 30 June 2021

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

The municipality discloses relevant information relating to assets that are work in progress, in the notes to the financial statements (see note 8).

The table below shows the depreciation methods and average useful lives.

Buildings	Straight line	30 years
Roads and paving	Straight line	15-65 years
Watercraft	Straight line	15 year
Furniture and fixtures	Straight line	7 years
Motor vehicles	Straight line	3-7 years
Office equipment	Straight line	3-5 years
Pedestrian bridges	Straight line	30 years
Electricity infrastructure	Straight line	20-30 years
Community	Straight line	5-30 years
Water infrastructure	Straight line	15-65 years
Sewerage infrastructure	Straight line	15-30 years
Housing	Straight line	30 years
Specialised plant and equipment	Straight line	10-15 years
Bins and containers	Straight line	5-10 years
Other property, plant and equipment	Straight line	2-5 years
Specialised vehicles	Straight line	10 years

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8 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.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies for the year ended 30 June 2021

1.8 Leases (continued)

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

Operating leases - lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Leased assets are classified as investment property measured at cost model and depreciation on leased assets has been calculated in accordance with GRAP 17 Property, plant and equipment.

Operating leases - lessee

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease expenses are recognised on a straight-line basis over the lease term.

1.9 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.

The municipality currently has only non-cash-generating assets as all of its assets are purely used for service delivery.

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

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

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

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

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

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

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

Useful life is either:

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

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies for the year ended 30 June 2021

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

In assessing whether there is any indication that an asset may be impaired, the following have been considered:

External sources of information

- Cessation or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the entity that have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the municipality operates.

Internal sources of information

- Evidence of physical damage of an asset;
- Increased expenditure on repairs and maintenance on the asset.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or circumstances indicate that the serviceable amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable service amount.

The recoverable service amount is the higher of the assets fair value less cost to sell, or its value in use.

The value in use 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.

City of uMhlatuze

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies for the year ended 30 June 2021

1.10 Intangible assets

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses and development costs.

An asset is identifiable when it:

- 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, assets or liability, or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the Municipality or from other rights and obligations.

Initial recognition

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or the 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale
- the Municipality has the ability to use or sell the asset
- the Municipality can reliably measure expenditure during development
- it is technically feasible to complete the intangible asset
- the Municipality has the resources to complete the project, and
- it is probable that the Municipality will receive future economic benefits or service potential

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Amortisation and impairment

The cost of an intangible asset is amortised over the useful life of 3 - 7 years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

An intangible asset with an indefinite useful life is not amortised.

Subsequent measurement

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

Derecognition

An intangible asset is derecognised when it is permanently withdrawn from use and no future economic benefit or service potential is derived from it. The gain or loss arising from the disposal of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It is recognised in surplus or deficit when the intangible asset is derecognised.

1.11 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

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies for the year ended 30 June 2021

1.11 Investment property (continued)

- sale in the ordinary course of operations.

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.

Cost model

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

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

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

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.

Property held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 7).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 7).

Initial recognition

Investment property is recognised as an asset, only where:

- It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and
- The cost or fair value of the investment property can be measured reliably.

Investment properties have been initially measured at cost (Transaction costs shall be included in this initial measurement). Transaction costs are costs which are directly attributable to the expenditure, for example professional fees for legal services, conveyancing fees, property transfer taxes and other transaction costs shall be included in this initial measurement.

If payment for investment property is deferred, its cost is the cash price equivalent.

The difference between this amount and the total payments is recognised as interest expense over the period of credit.

Subsequent measures

Subsequently investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies for the year ended 30 June 2021

1.11 Investment property (continued)

Depreciation is calculated on cost, using the straight-line method over the useful life of the property. Buildings held under Investment property are depreciated on an average useful life of 30 years. Vacant land held under investment properties is not depreciated.

Derecognition

An investment property is derecognised upon disposal, or when it is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Any gain or loss arising from the retirement or disposal of investment property is included in surplus or deficit in the period of the retirement or disposal.

1.12 Inventories

Consumable stores, unsold water, and land held for sale are valued at the lower of cost and net realisable value.

In general, the basis of determining cost is the first-in, first-out method.

For the land component recognised in terms of GRAP 12 land is recognised at cost with the cost based on fair value at date of recognition.

Redundant and slow-moving inventories are identified and written down to current replacement cost.

1.13 Revenue from exchange transactions

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

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

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

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

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, in surplus or deficit, using the effective interest rate method.

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.

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

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue in the period of consumption. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month in which they were read. Revenue from the sale of electricity prepaid meter cards is deferred and recognised as revenue on the consumption basis, commencing on date of purchase.

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

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies for the year ended 30 June 2021

1.13 Revenue from exchange transactions (continued)

Service charges from sewerage are based on the water consumption on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time apportionment basis. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariffs. This includes the issuing of licences and permits.

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

Revenue from the sale of goods is recognised when the risks and rewards of ownership of the goods is passed to the consumer.

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts allowed by the Municipality.

1.14 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when it is accrued. Spot fines are usually not given directly to the offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect to summon, the Public Prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use furthermore Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality.

Where public contributions have been received but the Municipality has not met the related conditions, a deferred income (liability) is recognised.

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

The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.15 Provisions and contingencies

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Contingent Liabilities and Assets are not recognized but disclosed.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

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

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies for the year ended 30 June 2021

1.16 Housing development fund

Housing selling schemes both complete and in progress at 1 April 1998, were also transferred to the Housing Development Fund. All proceeds from housing developments, which include rental income and sales of houses, is paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area. Any transfers to and from the fund are recognized in the statement of changes in net assets.

1.17 Retirement benefits

The Municipality provides post-retirement medical aid benefits to retired employees. The entitlement to these benefits is usually conditional on the employee remaining in employment up to retirement age.

An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

The Expected costs of these benefits are accrued of the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in the statement of financial performance for the reporting period. The Defined benefit obligations are valued every year by independent qualified actuaries.

1.18 Borrowing costs

Borrowing costs incurred are recognised as an expense in the Statement of Financial Performance in the period in which they are incurred in accordance with GRAP 5.

1.19 Financial instruments

Classification

The Municipality has types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

Subsequent measurement of financial assets and financial liabilities

Financial assets are categorised according to their nature as financial assets at amortised costs and financial liabilities are categorized as financial liabilities carried at amortised cost in accordance with GRAP 104.

Financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition.

Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables including statutory receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. The fair value of Debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.

Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Cash and cash equivalents

City of uMhlatuze

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies for the year ended 30 June 2021

1.19 Financial instruments (continued)

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as Financial assets: loans and receivables. The closing balance on the bank account is representative of its fair value of the monies held.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as Financial liabilities: other financial liabilities carried at amortised cost.

Financial liabilities

Trade and other payables from exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. The fair value of creditors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Borrowings and other financial liabilities

Borrowings are recognised initially at fair value, net transaction costs incurred. Borrowings are subsequently stated at amortised cost. Long-term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long-term borrowings are utilised. Other financial liabilities are carried at amortised cost.

The interbank rate or prime lending rate is not the risk-free interest rate, however it has been used as a benchmark for determining the market related rate of interest which is not significantly different to the current rates on long-term loans, hence the fair value of these loans equates their amortised cost.

1.20 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations. A heritage asset shall be recognised as an asset if, and only if,

- (a) It is probable that the economic benefit or service potential will flow to the Municipality,
- (b) The cost or the fair value will be measured reliably.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

Initial measurement

A heritage asset that qualifies for recognition as an asset shall be measured at its cost (Cash price equivalent at the recognition date). Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies for the year ended 30 June 2021

1.20 Heritage assets (continued)

Subsequent measurement

Heritage assets are not depreciated, since their long economic life and high residual value mean that any depreciation would be immaterial.

After recognition as an asset, heritage assets shall be carried at its cost less any accumulated impairment losses. The Municipality assesses at each reporting date whether there are any indicators of impairment of Heritage assets.

Where there is an indication of impairment the assets are recorded at their recoverable amount or their recoverable service amount.

Derecognition

A Heritage asset is de-recognised when it is disposed or where there is no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from de-recognition, is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognized.

1.21 Short term benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.22 Grants in aid

The Municipality donates money, goods or services to individuals, organisations and other sectors of government from time to time. When making these donations, the Municipality does not:

Receive any goods or services directly in return as would be expected in a purchase or sale transaction;
Expect to be repaid in future; or
Expect a financial return, as would be expected from an investment.

These transfers are recognized in the statement of financial performance as expenses in the period during which events giving rise to the transfer occurred.

1.23 Budget information

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

The budget is prepared on an accrual basis. The budget amounts are scheduled as a separate additional financial statement called the statement of comparison of budget and actual amounts.

Explanatory comments are provided in the notes to the annual financial statements, first stating reasons for changes from approved to final budget and secondly reasons for overspending or underspending on line items.

1.24 Unauthorised expenditure

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

1.25 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), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy.

City of uMhlatuze

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies for the year ended 30 June 2021

1.25 Irregular expenditure (continued)

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Value-added Tax

VAT

The Municipality accounts for Value Added Tax on payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies for the year ended 30 June 2021

1.28 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. The municipality currently has property rates and fines classified in this category.

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

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).

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies for the year ended 30 June 2021

1.28 Statutory receivables (continued)

- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

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

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

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

1.29 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 made in respect of capital commitments for all contracts that are ongoing and not yet completed.

- 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.

1.30 Accounting by principals and agents

Identification

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

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

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies for the year ended 30 June 2021

1.30 Accounting by principals and agents (continued)

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

Recognition

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

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

1.31 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

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

- 1) The cash funds that back up the CRR are invested until utilised.
- 2) The CRR may only be utilised for purchasing items of property, plant and equipment, and not their maintenance, unless otherwise directed by Council.
- 3) Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from CRR and accumulated surplus is credited by a corresponding amount.

Self insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that arises from municipal fleet that is not insured externally. The balance of the Self-Insurance Reserve is determined based on the insurance risk carried by the municipality and past claims history. 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.

1.32 Segment information

A segment is an activity of an entity:

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

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

City of uMhlatuze

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies for the year ended 30 June 2021

1.32 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.

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

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

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

1.34 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.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies for the year ended 30 June 2021

1.34 Events after reporting date (continued)

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

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
2. Inventories		
Consumable stores	19 833 245	20 713 031
Water for distribution	2 552 443	1 610 813
Land	93 306 801	93 306 801
	<u>115 692 489</u>	<u>115 630 645</u>

Land to the value of R 61 835 801 has been transferred from property, plant and equipment to inventory land in the prior year.

Inventory pledged as security

During the year no inventory was pledged as security.

3. Statutory Receivables

Fines	124 395 775	170 878 840
Property rates	99 028 299	75 724 704
Impairment - Rates	(56 802 865)	(50 612 020)
Impairment - Fines	(96 606 454)	(155 989 229)
	<u>70 014 755</u>	<u>40 002 295</u>

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

3. Statutory Receivables (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property Rates

Property rates are levied in terms of the Local Government: Municipal Property Rates Act No 6 of 2004, hence this is therefore recognised as a Statutory receivable. The receivable is calculated by the Council Approved rates randages against the valuation of individual properties within the municipality's jurisdiction. Council approved rebates and exemptions are further applied to reduce the receivable.

Fines

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 terms of the court of law.

Interest or other charges levied/charged

The Municipality charges interest on all outstanding debtor balances older than 30 days in respect of property rates account at a simple interest rate of prime plus 1%.

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

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.

If there is an indication that a Statutory receivables, 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 is reduced. The amount of loss is recognised in the surplus or deficit.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

3. Statutory Receivables (continued)

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R 81 104 635 - (2020: R 60 955 468) were past due but not impaired.

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

1 month past due	11 149 280	12 286 034
2 months past due	11 615 478	4 850 928

Rates

Current (0-30 days)	50 685 777	26 143 749
31-60 days	4 378 380	7 802 734
61-90 days	3 080 178	4 692 878
91-120 days	2 676 493	3 227 556
121-365 days	17 748 239	14 750 492
> 365 days	20 459 232	19 107 295
	99 028 299	75 724 704

Fines

Current (0-30 days)	2 096 985	10 446 300
31-60 days	3 364 000	4 483 300
61-90 days	5 742 000	158 050
91-120 days	5 082 950	6 773 150
121-365 days	37 947 700	4 490 700
> 365 days	70 162 140	144 527 340
	124 395 775	170 878 840

Reconciliation of provision for impairment for statutory receivables

Opening balance	(206 601 249)	(116 417 347)
Contribution	(60 251 113)	(91 444 850)
Amounts written off	113 443 044	1 260 948
	(153 409 318)	(206 601 249)

4. Receivables from exchange transactions

Gross balances

Electricity	206 380 060	170 657 977
Water	397 588 363	330 492 318
Sewerage	16 515 726	21 325 021
Refuse	19 467 833	14 458 428
Sundry Debtors	86 536 791	77 699 628
Housing rental	14 570 276	12 295 929
	741 059 049	626 929 301

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
4. Receivables from exchange transactions (continued)		
Less: Allowance for impairment		
Electricity	(51 567 927)	(40 937 414)
Water	(233 998 663)	(165 124 397)
Sewerage	(9 876 369)	(11 932 453)
Refuse	(10 797 615)	(9 221 188)
Sundry Debtors	(25 675 885)	(16 200 000)
Housing rental	(8 400 759)	(6 300 000)
	(340 317 218)	(249 715 452)
Net balance		
Electricity	154 812 133	129 720 563
Water	163 589 700	165 367 921
Sewerage	6 639 357	9 392 568
Refuse	8 670 218	5 237 240
Sundry Debtors	60 860 906	61 499 628
Housing rental	6 169 517	5 995 929
	400 741 831	377 213 849
Electricity		
Current (0 -30 days)	183 506 592	149 232 680
31 - 60 days	5 603 265	5 429 908
61 - 90 days	2 462 270	4 192 941
91 - 120 days	1 689 834	1 931 302
121 - 365 days	8 660 023	5 228 375
> 365 days	4 458 077	4 642 771
Allowance for impairment	(51 567 928)	(40 937 414)
	154 812 133	129 720 563
Water		
Current (0 -30 days)	116 828 163	57 165 845
31 - 60 days	28 246 155	26 067 672
61 - 90 days	19 191 585	21 678 190
91 - 120 days	17 075 144	19 628 169
121 - 365 days	94 411 986	119 535 552
> 365 days	121 835 329	86 416 890
Allowance for impairment	(233 998 662)	(165 124 397)
	163 589 700	165 367 921
Sewerage		
Current (0 -30 days)	8 735 013	8 556 346
31 - 60 days	1 592 678	2 263 925
61 - 90 days	935 285	1 625 623
91 - 120 days	894 926	1 291 040
121 - 365 days	(449 610)	3 564 091
> 365 days	4 807 435	4 023 996
Allowance for impairment	(9 876 370)	(11 932 453)
	6 639 357	9 392 568

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

4. Receivables from exchange transactions (continued)

Refuse

Current (0 -30 days)	9 382 031	4 920 545
31 - 60 days	1 143 891	2 436 612
61 - 90 days	783 299	1 610 646
91 - 120 days	788 423	802 600
121 - 365 days	4 580 056	2 437 884
> 365 days	2 790 133	2 250 141
Allowance for impairment	(10 797 615)	(9 221 188)
	8 670 218	5 237 240

Sundry Debtors

Current (0 -30 days)	26 734 410	5 412 424
31 - 60 days	368 751	595 107
61 - 90 days	8 050 192	2 084 504
91 - 120 days	(112 072)	2 170 677
121 - 365 days	(259 057)	7 081 385
> 365 days	51 754 567	60 355 531
Allowance for impairment	(25 675 885)	(16 200 000)
	60 860 906	61 499 628

Housing rental

Current (0 -30 days)	2 212 426	113 891
31 - 60 days	280 359	382 438
61 - 90 days	248 950	343 646
91 - 120 days	410 108	558 993
121 - 365 days	1 870 887	1 756 630
> 365 days	9 547 546	9 140 331
Allowance for impairment	(8 400 759)	(6 300 000)
	6 169 517	5 995 929

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

4. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	65 654 992	73 980 138
31 - 60 days	3 999 460	6 903 386
61 - 90 days	4 363 103	7 943 148
91 - 120 days	4 978 144	6 012 205
121 - 365 days	31 358 678	36 518 898
> 365 days	77 522 164	98 838 079
	<u>187 876 541</u>	<u>230 195 854</u>
Less: Allowance for impairment	(81 433 701)	(76 908 343)
	<u>106 442 840</u>	<u>153 287 511</u>

Industrial/ commercial

Current (0 -30 days)	279 926 261	167 385 602
31 - 60 days	30 643 114	23 471 343
61 - 90 days	18 960 541	17 827 815
91 - 120 days	12 715 552	19 682 888
121 - 365 days	74 482 456	88 516 418
> 365 days	129 021 009	49 361 665
	<u>545 748 933</u>	<u>366 245 731</u>
Less: Allowance for impairment	(255 343 158)	(138 514 792)
	<u>290 405 775</u>	<u>227 730 939</u>

National and provincial government

Current (0 -30 days)	2 278 268	20 965 704
31 - 60 days	112 185	1 165 820
61 - 90 days	99 213	611 817
91 - 120 days	99 818	311 715
121 - 365 days	1 734 413	627 057
> 365 days	3 109 678	1 609 925
	<u>7 433 575</u>	<u>25 292 038</u>
Less: Allowance for impairment	(3 540 359)	(11 792 316)
	<u>3 893 216</u>	<u>13 499 722</u>

Total

Current (0 -30 days)	361 936 544	267 527 123
31 - 60 days	36 962 580	31 540 549
61 - 90 days	31 418 554	26 382 780
91 - 120 days	20 498 938	26 006 808
121 - 365 days	105 989 300	125 662 372
> 365 days	184 253 133	149 809 669
	<u>741 059 049</u>	<u>626 929 301</u>
Less: Allowance for impairment	(340 317 218)	(249 715 452)
	<u>400 741 831</u>	<u>377 213 849</u>
Less: Allowance for impairment		
> 365 days	<u>(340 317 218)</u>	<u>(249 715 452)</u>

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

4. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(249 715 452)	(116 871 619)
Contributions to allowance	(142 330 881)	(138 605 918)
Debt impairment written off against allowance	51 729 115	5 762 085
	(340 317 218)	(249 715 452)

Consumer debtors past due but not impaired

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

1 month past due	37 235 099	36 233 427
2 months past due	68 906 680	29 610 336

5. Other receivables

Accrued Interest	8 463 440	6 656 937
Prepayments and advance	10 186 280	9 867 781
Other	6 499 515	6 434 219
	25 149 235	22 958 937

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	38 932	42 719
Cash book balances	190 651 376	109 875 709
Short-term deposits	630 000 000	490 000 000
	820 690 308	599 918 428

Short-term deposits

As at the end of the financial year, the Municipality had the following call and fixed deposits:

Standard Bank (Call deposit)	20 000 000	40 000 000
Standard Bank (Fixed deposit)	260 000 000	80 000 000
Nedbank (Fixed deposit)	180 000 000	370 000 000
First National Bank	170 000 000	-
	630 000 000	490 000 000

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Absa Bank - Cheque - 2150000028	165 208 122	48 991 823	-	166 650 913	49 958 239	-
Absa Bank - Deposit - 2150000095	50 000	31 556 561	-	3 655 065	39 771 349	-
Absa Bank - Deposit - 9123615121	478 958	463 994	-	478 958	465 577	-
Absa Bank - Deposit - 9171373496	2 786 215	2 699 165	-	2 786 215	2 708 372	-
Absa Bank - Deposit - 9092247889	6 759 896	6 590 677	-	6 765 859	6 601 168	-
Absa Bank - Deposit - 9171373917	5 726 625	5 547 708	-	5 726 625	5 566 631	-
Absa Bank - Deposit - 9233674990	4 344	4 267	-	(121 511)	4 278	-
Absa Bank - Deposit - 9272068005	1 706 482	1 658 470	-	1 706 913	1 659 224	-
Absa Bank - Deposit - 4079286548	328 090	119 656	-	3 710	3 710	-
Absa Bank - Deposit - 9283221999	1 638 915	1 997 088	-	1 837 491	2 007 986	-
Absa Bank - Deposit - 9082916767	1 035 283	1 127 309	-	1 161 139	1 129 175	-
Total	185 722 930	100 756 718	-	190 651 377	109 875 709	-

7. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	94 255 678	(7 498 654)	86 757 024	94 255 678	(6 974 539)	87 281 139

Reconciliation of investment property - 2021

	Opening balance	Impairments	Depreciation	Total
Investment property	87 281 139	(326)	(523 789)	86 757 024

Reconciliation of investment property - 2020

	Opening balance	Disposals	Depreciation	Total
Investment property	87 822 445	(1 354)	(539 952)	87 281 139

Pledged as security

During the year there was no Investment property pledged as security.

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.

Maintenance of investment property

There were no repairs and maintenance of Investment property.

City of uMhlatuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

Figures in Rand

8. 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	1 051 994 109	(8 190)	1 051 985 919	1 223 873 075	-	1 223 873 075
Infrastructure	11 965 342 869	(7 875 144 627)	4 090 198 242	11 676 002 752	(7 652 212 998)	4 023 789 754
Community	572 343 336	(250 063 157)	322 280 179	544 207 855	(225 986 586)	318 221 269
Other property, plant and equipment	890 098 047	(513 093 530)	377 004 517	880 261 014	(478 723 634)	401 537 380
Housing	182 886 221	(46 462 701)	136 423 520	180 340 441	(36 497 756)	143 842 685
Total	14 662 664 582	(8 684 772 205)	5 977 892 377	14 504 685 137	(8 393 420 974)	6 111 264 163

City of uMhlatuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Work in progress	Disposals	Depreciation	Impairment loss	Total
Land	1 223 873 075	-	-	(171 878 966)	-	(8 190)	1 051 985 919
Infrastructure	4 023 789 754	53 240 244	263 292 078	(6 424 339)	(243 036 896)	(662 599)	4 090 198 242
Community	318 221 269	5 188 143	25 197 452	(743 903)	(25 105 876)	(476 906)	322 280 179
Other property, plant and equipment	401 537 380	31 885 228	2 066 255	(2 004 272)	(56 414 063)	(66 011)	377 004 517
Housing	143 842 685	4 567 037	-	(1 515 455)	(10 470 747)	-	136 423 520
	6 111 264 163	94 880 652	290 555 785	(182 566 935)	(335 027 582)	(1 213 706)	5 977 892 377

City of uMhlatuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Work in progress	Disposals	Transfers	Reclassification	Restatement	Depreciation	Impairment loss	Total
Land	1 267 582 533	237 000	-	(9 494 099)	(58 804 801)	15 675 000	8 677 442	-	-	1 223 873 075
Infrastructure	4 002 064 090	30 588 560	241 868 923	(8 567 997)	-	(79 723)	2 260 306	(244 206 319)	(138 086)	4 023 789 754
Community	325 854 941	3 719 828	19 886 785	(261 214)	-	207 582	(5 259 512)	(25 721 339)	(205 802)	318 221 269
Other property, plant and equipment	420 694 664	42 129 201	5 353 708	(611 480)	-	(127 854)	1 764 187	(67 140 625)	(524 421)	401 537 380
Housing	157 342 873	-	-	-	-	(3 031 000)	-	(10 469 188)	-	143 842 685
	6 173 539 101	76 674 589	267 109 416	(18 934 790)	(58 804 801)	12 644 005	7 442 423	(347 537 471)	(868 309)	6 111 264 163

Pledged as security

No assets were pledged as security.

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Roads	1 571 884	814 723
The delays are due to encroachments and land issues.		
Community	725 873	4 677 647
The delays are due to community challenges.		
Other Assets	10 858 502	-
The delays are due to scope amendments due to on site challenges.		
Water and Sanitation	31 127 127	14 754 222
The delays are due to community challenges		
	44 283 386	20 246 592

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Included within Housing	Total
Opening balance	444 076 148	37 402 994	19 392 349	5 589 530	506 461 021
Additions/capital expenditure	263 292 078	25 197 452	2 066 255	-	290 555 785
Transferred to completed items	(30 948 970)	(21 801 878)	(2 807 742)	-	(55 558 590)
	676 419 256	40 798 568	18 650 862	5 589 530	741 458 216

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Included within Housing	Total
Opening balance	449 924 763	34 817 302	39 164 905	-	523 906 970
Additions/capital expenditure	241 868 923	19 886 785	-	5 589 530	267 345 238
Prior year correction	(9 324 107)	(2 668 486)	-	-	(11 992 593)
Prior year reclassification	(94 579 174)	(707 853)	(245 682)	-	(95 532 709)
Transferred to completed items	(143 814 258)	(13 924 754)	(19 526 874)	-	(177 265 886)
	444 076 147	37 402 994	19 392 349	5 589 530	506 461 020

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	198 945 054	473 574 342
Contracted services	86 196 593	72 347 849
Material	76 075 623	58 729 082
Transport	7 377 718	38 717 333
	368 594 988	643 368 606

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.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

Figures in Rand

9. 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	189 595 867	(24 956 290)	164 639 577	134 234 244	(14 182 894)	120 051 350
Servitudes	3 552 458	-	3 552 458	3 552 458	-	3 552 458
Total	193 148 325	(24 956 290)	168 192 035	137 786 702	(14 182 894)	123 603 808

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Work in Progress	Amortisation	Total
Computer software, other	120 051 350	42 819 225	12 676 452	(10 907 450)	164 639 577
Service concession assets [State class]	3 552 458	-	-	-	3 552 458
	123 603 808	42 819 225	12 676 452	(10 907 450)	168 192 035

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	103 733 359	23 737 505	(7 419 514)	120 051 350
Service concession assets [State class]	3 552 458	-	-	3 552 458
	107 285 817	23 737 505	(7 419 514)	123 603 808

Pledged as security

There are no intangible assets pledged as security:

City of uMhlatuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

9. Intangible assets (continued)

Intangible assets in the process of being constructed or developed

Below is the cumulative expenditure included in the total carrying amount of Intangible assets:

Computer software, other	<u>30 033 943</u>	<u>52 132 826</u>
--------------------------	-------------------	-------------------

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.

Restricted title

No restrictions on title exists on Intangible assets.

City of uMhlatuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

Figures in Rand

10. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	524 313	-	524 313	524 313	-	524 313
Historical buildings	1 940 298	-	1 940 298	1 940 298	-	1 940 298
Total	2 464 611	-	2 464 611	2 464 611	-	2 464 611

Reconciliation of heritage assets 2021

	Opening balance	Total
Art Collections, antiquities and exhibits	524 313	524 313
Historical buildings	1 940 298	1 940 298
	2 464 611	2 464 611

Reconciliation of heritage assets 2020

	Opening balance	Total
Art Collections, antiquities and exhibits	524 313	524 313
Historical buildings	1 940 298	1 940 298
	2 464 611	2 464 611

Restrictions on heritage assets

No restrictions on title exists on heritage assets.

Pledged as security

No heritage assets are pledged as security:

City of uMhlatuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
11. Other financial liabilities		
At amortised cost		
DBSA	268 308 111	289 958 177
Nedbank	41 521 002	61 993 022
Standard Bank	321 029 051	264 903 198
	630 858 164	616 854 397
Total other financial liabilities	630 858 164	616 854 397
<p>The Municipality entered into a new loan agreement with Standard bank for an amount of R 464 000 000 in the 2020/2021 financial year. The term of the loan is 10 years at a variable interest rate of 5.82% per annum. As per the agreement, this amount will be drawn in 3 financial years. For the year ended 30 June 2021, R 90 000 000 was received.</p>		
Non-current liabilities		
At amortised cost	540 422 832	540 787 819
Current liabilities		
At amortised cost	90 435 332	76 066 578
12. Payables from exchange transactions		
Trade payables	228 988 365	311 298 921
Amounts received in advance	48 725 910	37 216 939
Retentions	36 010 275	39 679 771
Other payables	73 703 310	92 885 243
Accrued leave pay	22 612 761	17 503 241
Accruals	100 632 985	25 058 796
	510 673 606	523 642 911
13. VAT payable		
VAT	52 575 192	22 487 999
14. Consumer deposits		
Electricity and Water	53 055 518	58 209 424
Other deposits	1 248 952	3 618 492
	54 304 470	61 827 916

Bank Guarantees in favour of the Municipality for consumer deposits amounts to R 52 059 760.48 (2021) and R 57 715 780.37 (2020)

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021 2020

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Water Infrastructure Grant	-	7 000 000
Provincial Housing Grant	2 674 198	2 925 059
Provincial Local Government Grants	5 936 405	11 898 460
Provincial Libraries Grant	1 860 301	1 351 510
King Cetshwayo District Municipality	169 372	169 372
	10 640 276	23 344 401

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

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

See note 23 for reconciliation of grants from National/Provincial Government.

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

16. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Pro rata bonus	21 822 141	1 863 424	23 685 565

Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Pro rata bonus	16 518 380	5 303 761	21 822 141

Pro rata Bonus

The bonus accrues on an annual basis based on their anniversary month. The provision is an estimate of the amount payable to staff for the following year on a pro-rata basis. The timing of the amount is uncertain with regards to payment of pro-rata bonus when staff members resign.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

17. Employee benefit obligations

Post-employment medical benefits

The Municipality operates on 5 accredited medical aid schemes, namely: Bonitas, Hosmed, Keyhealth, LA Health and Samwumed. Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, ZAQ Consultants and Actuaries, carried out a statutory valuation for the year ended 30 June 2021 with projected liabilities for year ending 2022 and 2023. The present value of the obligation is R277 589 000 (2020 - R243 928 000).

Long-service awards

The municipal employees are entitled to long service awards which can be encashed as per the bargaining council agreement. This benefit accrues to employees after 5 years of completed service. The independent valuers, ZAQ Consultants and Actuaries, carried out a statutory valuation for the year ended 30 June 2021 with projected liabilities for year ending 2022 and 2023. The present value of the obligation is R54 151 000 (2020 - R44 057 000).

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(287 985 000)	(265 781 000)
Current service cost	(13 208 000)	(12 593 000)
Interest cost	(35 257 000)	(26 373 000)
Actuarial (loss)/gain	(7 948 093)	5 234 281
Benefits paid	12 658 093	11 527 719
	(331 740 000)	(287 985 000)

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

Opening balance	287 985 000	265 781 000
Net amount recognised in the statement of financial performance	43 755 000	22 204 000
	331 740 000	287 985 000

Net amount recognised in the statement of financial performance

Current service cost	13 208 000	12 593 000
Interest cost	35 257 000	26 373 000
Actuarial (gains) losses	7 948 093	(5 234 281)
Settlement	(12 658 093)	(11 527 719)
	43 755 000	22 204 000

Key assumptions used

Post-employment medical benefits

Medical Aid Inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the yield curve based medical aid contribution inflation for each relevant time period.

Average Retirement Age.

The average retirement age for all active employers was assumed to be 60 years.

Normal Retirement Age.

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

City of uMhlatuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

17. Employee benefit obligations (continued)

Mortality Rates.

Mortality before retirement has been based on the SA 85-90 mortality tables.

Sensitivity Analysis

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of mortality;
- 1% increase/decrease in the Medical Aid inflation.

Spouses and Dependants.

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children.

Long service awards

Normal Salary Inflation Rate.

The salaries used in the valuation include an assumed increase on 01 July 2021 of 6.25%.

Average Retirement Age.

The average retirement age for all active employees was assumed to be 62 years.

Normal Retirement Age.

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Sensitivity Analysis

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of withdrawal rates;
- 1% increase/decrease in the Normal Salary cost inflation

Mortality Rate

Mortality before retirement has been based on the SA 85-90 mortality tables.

Discount rates used	Yield Curve	Yield Curve
Medical cost trend rates	CPI+1%	CPI+1%
Average Retirement Age	60 years	60 years

The basis used on discount rate is the nominal and zero curves as at 30 June 2021 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

17. Employee benefit obligations (continued)

Defined Contribution Plan

The municipality's employees are members of one of the three Natal Joint Municipal Pension Fund i.e. (Superannuation, Provident and Retirement). The valuator carries out a statutory valuation once after three years and an interim valuation on an annual basis.

The following valuations have been carried out:

Superannuation fund - interim on annual basis

Provident fund - interim on annual basis

Retirement fund - interim on annual basis

Superannuation

An Interim Valuation of the fund was carried out for the period ending 31 March 2020.

For services to 31 March 2020	Pensioners	Members	Total
Assets	4 829 396 000	5 439 100 000	10 268 496 000
Liabilities	(4 829 396 000)	(6 285 423 000)	(11 114 819 000)
	-	(846 323 000)	(846 323 000)

Pensioners: Funding level - 108.9%

Members: Funding level - 100%

For services to 31 March 2019	Pensioners	Members	Total
Assets	5 730 118 000	6 427 752 000	12 157 870 000
Liabilities	(5 730 118 000)	(6 427 752 000)	(12 157 870 000)
	-	-	-

Pensioners: Funding level - 92.2%

Members: Funding level - 86.5%

Investment reserve	31 March 2020
Contribution reserve	<u>49 559 000</u>

Investment reserves	31 March 2019
Contribution reserve	43 605 000

Conclusion

- The valuation reveals that the Fund is 92.4% funded on the "best estimate" funding basis as at the valuation date, and is also not fully funded on the alternative bases as set out in PF Notice No. 2 of 2016.
- The Asset composition on the valuation date is appropriate to the nature of the liabilities and that the investment strategy of the fund is suitable for the fund.
- The fund self-insures its risk benefits. The lump sum element of these benefits is relatively small, with the major element comprising of annuity payments. Given the recommended Risk Reserve, the fund's reinsurance are appropriate.
- The fund is in a sound financial position as at the valuation date.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

17. Employee benefit obligations (continued)

Provident Fund

The salient features of the Statutory Actuarial Valuation Report on the fund as at 31 March 2020 and 31 March 2019 were that the net market value of the fund's assets were sufficient for to fully cover the members' share account and to provide total reserves of R4 591 119 000 at 31 March 2020 and not sufficient at 31 March 2019 with the reserves of R4 579 622 000 respectively.

Due to the smoothing mechanism, a portion of the investment return to 31 March 2020 has been applied to fund the interim bonus for April 2020. The value of the liabilities therefore includes all interim bonuses to 30 April 2020.

Conclusion

1. The valuation reveals that the fund is 101.1% funded as at the valuation date
2. The contribution rate allocated towards risk benefits and expenses in the year following the valuation date is expected to be sufficient to cover the cost of these benefits and expenses.
3. The Actuary is satisfied that the asset composition on the valuation date is appropriate to the nature of the liabilities and that the investment strategy of the fund is suitable for the fund.
4. The fund self-insures its death benefits and disability benefits. The Actuary is satisfied that, given the recommended Risk and Expense Reserve Account, the arrangement is appropriate for the fund.
5. The Actuary is of the view that the fund is in a sound position as at the valuation date.

Retirement Fund

The Actuarial value of total assets of the fund was for pensioners R2 177 808 000 (2019 - R2 609 572 000) and for members R1 365 144 000 (2019 - R1 580 947 000).

Made up as follows:

For services to 31 March 2020

for pensioners - funding level 96.2% (2019: funding level 113.4%)

for members - funding level 84.7% (2019: funding level 92.1%) - deficit of R249 129 000 (2019 - R 135 071 000).

The fund did not hold an Investment Reserve

With effect from 01 July 2000, local authorities commenced paying a surcharge equal to 2% of pensionable salaries. It was subsequently increased each year and is currently (31/03/2019), for local authorities 35% (2018 - 20%), and members pay 0.00% (2018 - 1.65%).

The previous statutory valuation as at 31 March 2018 showed a deficit in the fund. The employers and members are paying a surcharge of 35% of pensionable salaries (for all active members at 31 December 2002), which was expected to fund the deficit over an eight year period to 31 July 2020.

Even though a surcharge was paid during the valuation period, the funding level has not increased by as much as it was expected. This is primarily as a result of high salary increases over the valuation period and a strengthening of the valuation basis.

Conclusion

1. The valuation reveals that the Fund is 93.5% funded on the "best estimate" Funding basis as at the valuation date, and is also not fully funded on the alternative bases as set out in PF Notice No. 2 of 2016.
2. The Actuary is satisfied that the asset composition on the valuation date is appropriate to the nature of the liabilities and that the investment strategy of the fund is suitable for the fund.

City of uMhlatuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

17. Employee benefit obligations (continued)

3. The fund self-insures its risk benefits.

4. The Actuary is of the view that the fund is not in a sound financial position as at the valuation date, but expect the surcharge of 35% to eliminate the deficit by 2021.

18. Accumulated surplus

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

	Capital replacement reserve	Insurance reserve	Housing development fund	Accumulated Surplus	Total
Opening balance	456 015 576	5 000 000	3 061 960	5 458 295 574	5 922 373 110
Transfer to capital replacement reserve	117 355 687	-	-	(117 355 687)	-
Surplus for the year	-	-	-	130 744 284	130 744 284
Transfer to housing	-	-	203 213	(203 213)	-
	573 371 263	5 000 000	3 265 173	5 471 480 958	6 053 117 394

19. Service charges

Sale of electricity	1 497 648 309	1 352 901 509
Sale of water	497 447 002	467 506 579
Sewerage and sanitation charges	104 010 023	101 606 923
Refuse removal	101 598 921	94 066 005
Surcharge on water	800 000	(700 000)
	2 201 504 255	2 015 381 016

An amount of R (2021: R12 804 371.19) (2020: R12 602 527.04) received in respect of prepaid electricity sales has been deferred and transferred to amounts received in advance.

20. Operational Revenue

Building Plans	854 226	740 844
Extension Fees	1 838 910	10 029 948
Skills Levy Fees	1 010 781	131 386
Insurance claims refund	1 514 335	559 295
Sundries	14 529 101	35 544 282
Advertisement	2 790 241	2 102 818
Discount Received	507 090	507 121
Meter Replacement	43 816	56 288
Inventory gain	2 447	-
	23 090 947	49 671 982

21. Investment revenue

Interest revenue

Bank	32 646 390	46 357 920
------	------------	------------

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
22. Property rates		
Rates received		
Residential	282 131 737	190 176 725
Commercial	166 038 591	129 705 816
State	40 603 581	34 717 173
Vacant land	59 486 640	63 403 088
Public benefit organisations	264 663	248 163
Industrial	139 743 799	160 746 847
Mining	773 439	851 825
Public service infrastructure	102 127	75 544
Less: Income forgone	(137 971 890)	(71 766 064)
	551 172 687	508 159 117
Property rates - penalties imposed	4 021 969	3 424 766
	555 194 656	511 583 883
Valuations		
Residential	22 224 583 000	18 501 110 010
Commercial	8 301 387 000	5 956 917 092
State	3 798 724 000	3 194 337 601
Vacant land	2 731 653 000	2 553 012 000
Public benefit organisations	115 071 000	95 600 000
Agruculture	1 064 080 000	745 414 308
Industrial	6 834 828 000	7 076 592 000
Mining	36 142 000	35 942 000
Public service infrastructure	94 785 000	90 661 550
Multiple use	-	402 104 000
	45 201 253 000	38 651 690 561

The first valuation in terms of the Property Rates Act No.6 of 2004 came into effect on 01 July 2008. Valuations were performed on land and buildings together. Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2020. One supplementary valuation roll and objection roll in terms of the new Act were processed during the financial year. The following rate randage and ratio to residential tariff were applied:

	Rates Randage	Ratio to Residential Tariff
Residential	0,0093	1:1,00
Business/Commercial	0,0196	1:2,10
Industrial	0,0205	1:2,20
Agricultural	0,0023	1:0,25
Public Service Purposes (State owned)	0,0023	1:1,10
Public Services Infrastructure	0,0023	1:0,25
PBO's	0,0023	1:0,25
Mining	0,0214	1:2,30
Vacant Land	0,0196	1:2,10

Subject to the provisions contained in the Rates Policy and upon application, the following rebates were applied:

Agricultural Properties - 5%

Non-profit Organisations - 20%

City of uMhlatuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

22. Property rates (continued)

Pensioners - R15 000 Valuation Reduction on primary developed property

In addition to the statutory R15 000 reduction in the valuation on residential properties, a further reduction of R105 000 of the valuation on all developed residential properties with >R40 000 was made.

Rates are levied on a monthly basis but upon request can be levied annually. The final date for payment of rates that are levied on an annual basis is 30 September of each year, and 30 June for monthly ratepayers. Interest of prime plus 1% is levied on outstanding rates.

City of uMhlatuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
23. Government grants and subsidies		
Operating grants		
Equitable share	462 487 000	362 965 000
Finance Management Grant	2 600 000	2 588 012
Expanded Public Works Intergrated Grant	4 278 000	4 492 000
Provincial Housing Grant	2 670 719	1 356 148
Provincial Libraries Grant	11 082 209	10 490 556
King Cetshwayo District Municipality	-	769 230
Municipal Disaster Relief Grant	-	1 192 000
Provincial local government grant	800 000	-
Intergrated Urban Development Grant	7 208 490	7 353 729
	491 126 418	391 206 675
Capital grants		
Intergrated Urban Development Grant	152 754 510	125 634 271
Energy Efficiency and demand side management grant	4 500 000	-
Water Service Infrastructure Grant	25 000 000	25 000 000
Provincial Local Government Grant	5 962 055	2 280 945
Finance Management Grant	-	61 988
Department of Human Settlement	-	237 000
	188 216 565	153 214 204
	679 342 983	544 420 879
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Municipal Systems Improvement Grant		
Balance unspent at beginning of year	-	800 000
Grant withheld	-	(800 000)
	-	-
Conditions still to be met - remain liabilities (see note 15).		
National Conditional Grants are allocated in terms of the Division of Revenue Act. The Municipal Systems Improvement Grant is used to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and the related local government legislation.		
Intergrated Urban Development Grant		
Balance unspent at beginning of year	7 000 000	-
Current-year receipts	159 963 000	139 988 000
Conditions met - transferred to revenue	(159 963 000)	(115 701 013)
Other	-	(17 286 987)
Grant withheld	(7 000 000)	-
	-	7 000 000
Conditions still to be met - remain liabilities (see note 15).		

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

23. Government grants and subsidies (continued)

National Conditional Grant are allocated in terms of the Division of Revenue Act. The purpose of the grant is to provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for public investment in economic infrastructure; to ensure that public investments are spatially aligned and to promote the sound management of the assets delivered. No funds have been withheld.

Provincial Housing Grant

Balance unspent at beginning of year	2 925 059	2 315 351
Current-year receipts	2 333 717	1 839 780
Conditions met - transferred to revenue	(2 670 719)	(1 356 149)
Interest	86 141	126 077
	2 674 198	2 925 059

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

Provincial Housing grants were allocated to assist in the refurbishment of various hostels. The grants are spent in accordance with a business plan approved by the Provincial Government. Funds were provided for the housing operating account. Funds were also provided for the Municipality to implement the Enhanced Extended Discount Benefit Scheme. No funds were withheld.

Water services infrastructure grant

Current-year receipts	25 000 000	25 000 000
Conditions met - transferred to revenue	(25 000 000)	(21 739 130)
Conditions met - transferred to own revenue	-	(3 260 870)
	-	-

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

National Conditional Grants are allocated in terms of the Division of Revenue Act. The purpose of this grant is to facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities; provide basic and intermittent water and sanitation supply that ensures provision of services to identified and prioritised communities; support municipalities in implementing water conservation and water demand management projects; support drought relief projects in affected municipalities.

Financial management grant

Current-year receipts	2 600 000	2 650 000
Conditions met - transferred to revenue	(2 600 000)	(2 650 000)
	-	-

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

National Conditional Grants are allocated in terms of the Division of Revenue Act. The Financial Management Grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA). No funds have been withheld.

Expanded public works integrated grant

Current-year receipts	4 278 000	4 492 000
Conditions met - transferred to revenue	(4 278 000)	(4 492 000)
	-	-

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

23. Government grants and subsidies (continued)

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

National Conditional Grants are allocated in terms of the Division of Revenue Act. The grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in compliance with EPWP Guidelines. No funds have been withheld.

Provincial Local Government Grant

Balance unspent at beginning of year	11 898 460	6 252 720
Current-year receipts	800 000	8 243 000
Conditions met - transferred to revenue	(6 762 055)	(2 280 945)
Conditions met - transferred to own revenue	-	(316 315)
	5 936 405	11 898 460

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

Provincial Local Government grants are used to implement administrative and financial framework and to provide a municipal infrastructure framework. The grants are spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

Provincial Libraries

Balance unspent at beginning of year	1 351 510	1 263 066
Current-year receipts	11 591 000	10 579 000
Conditions met - transferred to revenue	(11 082 209)	(10 490 556)
	1 860 301	1 351 510

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

Funding were received for the installation of computer hardware and software for public internet access, the cost of the internet connectivity, furniture to house these computers and salaries for the employment of "cyber-cadets". The subsidies are spent in accordance with a business plan approved by the Provincial Government. A subsidy was also received for the operations of the museums. No funds have been withheld.

Municipal disaster relief grant

Current-year receipts	-	1 192 000
Conditions met - transferred to revenue	-	(1 192 000)
	-	-

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

National Conditional Grants are allocated in terms of the Division of Revenue Act. The purpose of the grant is to provide for the immediate release of funds for disaster response.

Energy efficiency and demand side management grant

Current-year receipts	4 500 000	-
Conditions met - transferred to revenue	(4 500 000)	-
	-	-

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

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

23. Government grants and subsidies (continued)

National Conditional Grants are allocated in terms of the Division of Revenue Act. The purpose of the grant is to provide subsidies to municipalities to implement energy efficiency and demand side management (EEDSM) initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Department of human settlements

Current-year receipts	-	237 000
Conditions met - transferred to revenue	-	(237 000)
	-	-

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

Department of Human Settlements donated Erf 10384 located in Brackenham

King Cetshwayo District Municipality

Balance unspent at beginning of year	169 372	169 372
Current-year receipts	-	769 230
Conditions met - transferred to revenue	-	(769 230)
	169 372	169 372

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

King Cetshwayo District Municipality allocated funds for capacity building grants, for the beach protection project at Alkandstrand beach Richards Bay and for the Provincial Golden Games

24. Public contributions and donations

Other public contributions and donations	357 987	251 238
--	---------	---------

Public contributions and donations was received from various organisations for skills development.

25. Fines, Penalties and Forfeits

Law Enforcement Fines	64 872 975	75 913 747
Overdue Books Fines	3 195	18 444
	64 876 170	75 932 191

City of uMhlatuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
26. Employee related costs		
Basic	519 607 657	478 078 422
Bonus	44 045 555	43 559 195
Medical aid - company contributions	45 234 985	42 138 271
UIF	3 837 724	3 638 391
Leave pay provision charge	31 402 896	20 385 402
Other Allowances	24 327 136	19 003 349
Defined contribution plans	7 292 093	6 837 719
Travel, motor car, accommodation, subsistence and other allowances	52 895 885	50 020 082
Overtime payments	69 013 626	59 535 352
Long-service awards	638 706	372 129
Housing benefits and allowances	4 046 141	4 067 435
Cellphone Allowances	6 077 076	4 130 765
Contributions to pensions and group life	104 345 367	95 329 625
Post-employment benefits	31 583 907	23 899 281
Long service awards benefit expenses	4 223 000	3 539 000
	948 571 754	854 534 418

2021 : Remuneration to senior managers & managers

	Municipal Manager	Chief Operations Officer	DMM: Infrastructure Services	DMM:Electricity and Energy Services
Annual Remuneration	952 211	963 685	900 543	1 273 707
Annual Bonus	-	-	136 976	106 142
Contribution to UIF, Medical & Pension Fund	187 365	385 859	405 409	355 949
Travel Allowance	165 084	115 637	185 336	104 879
	1 304 660	1 465 181	1 628 264	1 840 677

2020 : Remuneration to senior managers & managers

	Municipal Manager	Chief Operations Officer	DMM: Infrastructure Services	DMM:Electricity and Energy Services
Annual Remuneration	886 622	1 587 837	1 161 182	1 274 711
Annual Bonus	68 504	-	94 933	105 179
Performance Bonus	191 115	133 202	55 501	27 750
Contribution to UIF, Medical & Pension Fund	257 539	88 964	326 582	357 475
Travel Allowance	140 000	157 194	249 542	95 665
	1 543 780	1 967 197	1 887 740	1 860 780

2021 : Remuneration to senior managers & managers

	DMM: City Development	DMM: Community Services	DMM: Financial Services (CFO)	DMM: Corporate Services	Head: Engineering Services
Annual Remuneration	1 430 400	1 380 688	1 471 697	956 802	823 963
Annual Bonus	119 200	115 057	122 641	-	68 664
Housing Subsidy	-	-	-	-	8 681
Contribution to UIF, Medical & Pension Fund	136 659	84 398	41 738	40 395	278 033
Travel Allowance	154 419	260 534	204 600	136 829	331 790
	1 840 678	1 840 677	1 840 676	1 134 026	1 511 131

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

26. Employee related costs (continued)

2020 : Remuneration to senior managers & managers	DMM: City Development	DMM: Community Services	DMM: Financial Services (CFO)	DMM: Corporate Services	Head: Engineering Services
Annual Remuneration	1 431 528	1 380 688	1 471 697	1 211 059	775 495
Annual Bonus	116 224	112 981	119 500	-	64 625
Performance Bonus	199 803	88 801	183 153	149 852	-
Travel Allowance	157 209	262 928	204 600	66 362	320 865
Contribution to UIF, Medical & Pension Fund	126 057	75 321	35 055	147 599	254 471
	2 030 821	1 920 719	2 014 005	1 574 872	1 415 456
2021 : Remuneration to senior managers & managers	Head: Financial Service Exp	Head: Financial Service Revenue	Head: Roads, Transport and Stormwater	Head: Water and Sanitation	Head: Management Services
Annual Remuneration	823 963	271 611	1 100 976	823 963	823 963
Annual Bonus	68 664	73 931	-	68 664	68 664
Housing Subsidy	11 574	-	-	-	7 716
Travel Allowance	331 790	101 959	341 642	331 790	331 802
Contribution to UIF, Medical & Pension Fund	281 470	62 803	522 857	259 118	268 857
	1 517 461	510 304	1 965 475	1 483 535	1 501 002
2020 : Remuneration to senior managers & managers	Head: Financial Service Exp	Head: Financial Service Revenue	Head: Roads, Transport and Stormwater	Head: Water and Sanitation	Head: Management Services
Annual Remuneration	775 495	775 495	1 036 213	775 495	775 495
Annual Bonus	64 625	64 625	-	64 625	64 625
Housing Subsidy	10 893	-	-	-	-
Travel Allowance	320 865	320 865	328 525	320 865	320 865
Contribution to UIF, Medical & Pension Fund	302 533	295 379	282 764	239 649	224 146
	1 474 411	1 456 364	1 647 502	1 400 634	1 385 131

City of uMhlatuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

26. Employee related costs (continued)

2021 : Remuneration to senior managers & managers	Head:Public Health & Emergency Services	Head: Electrical Services	Head: Transport Facilities and Operations	Head: Corporate Services	Head: SCM
Annual Remuneration	823 963	33 367	823 963	823 963	823 963
Annual Bonus	68 664	-	68 664	68 664	68 664
Housing Subsidy	11 574	-	-	-	11 574
Travel Allowance	331 790	13 504	331 790	331 790	331 790
Contribution to UIF, Medical & Pension Fund	253 041	788	261 557	261 351	317 938
	1 489 032	47 659	1 485 974	1 485 768	1 553 929

2020 : Remuneration to senior managers & managers	Head:Public Health & Emergency Services	Head: Electrical Services	Head: Transport Facilities and Operations	Head: Corporate Services	Head: SCM
Annual Remuneration	775 495	18 433	775 495	775 495	775 495
Annual Bonus	64 625	-	64 625	64 625	64 625
Housing Subsidy	10 893	-	-	-	10 893
Travel Allowance	320 865	6 315	320 865	320 865	320 865
Contribution to UIF, Medical & Pension Fund	277 588	-	228 418	243 893	304 045
	1 449 466	24 748	1 389 403	1 404 878	1 475 923

27. Remuneration of councillors

Mayor	1 091 397	1 091 397
Deputy Mayor	881 997	881 997
Executive Committee Members	6 637 176	6 574 729
Speaker	881 997	881 997
Councillors	20 074 917	20 411 707
Chief Whip	829 647	829 647
Section 79 committee chairperson	806 614	806 614
	31 203 745	31 478 088

In-kind benefits

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

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

28. Depreciation and amortisation

Property, plant and equipment	335 027 582	347 537 471
Investment property	523 789	539 952
Intangible assets	10 907 451	7 419 514
	346 458 822	355 496 937

City of uMhlatuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
29. Finance costs		
Non-current borrowings	59 021 447	66 789 578
	<u>59 021 447</u>	<u>66 789 578</u>
30. Debt impairment		
Contributions to debt impairment provision	202 581 992	230 050 769
	<u>202 581 992</u>	<u>230 050 769</u>
Included above is bad debts written off of R 165 172 159 (2021) and R 7 023 033 (2020)		
31. Bulk purchases		
Electricity	1 072 631 235	937 914 629
Water	118 549 374	115 370 503
	<u>1 191 180 609</u>	<u>1 053 285 132</u>
Electricity losses		
Units purchased (KW)	1 067 811 721	990 962 950
Units sold (KW)	(999 469 925)	(925 159 517)
Total loss	<u>68 341 796</u>	<u>65 803 433</u>
Electricity losses (KW)	68 341 796	65 803 433
Unit cost / KW	1,00	1,17
Loss in Rand Value	<u>68 341 796</u>	<u>76 965 872</u>
Percentage Loss	<u>6 %</u>	<u>7 %</u>

Electricity losses are attributable to the following reasons:

Non-Technical reasons: Theft and error in metering.

Technical reasons: Electricity resistivity in the network. Ageing of network without sufficient replacement, refurbishment and maintenance. Incorrect meter calibration and monitoring.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

31. Bulk purchases (continued)

Water losses

Units purchased (KL)	45 339 053	42 936 751
Units sold (KL)	(25 061 018)	(23 619 798)
Total loss	<u>20 278 035</u>	<u>19 316 953</u>
Water losses (KL)	20 278 035	19 316 953
Unit cost / KL	12,87	13,30
Loss in Rand value	<u>260 978 310</u>	<u>256 915 475</u>
Percentage Loss	<u>45 %</u>	<u>45 %</u>

The comparative water losses figure has been restated to correct errors in the calculation model.:

Water losses are attributed to the following reasons:

Apparent losses: This is made up of water theft and meter inaccuracy.

Real losses: Made up of Water loss due leakage in the transmission and distribution was water to reservoirs and consumers respectively.

32. Contracted services

Outsourced Services

Other Contractors	78 092 599	86 883 252
Cleaning Services	6 364 921	5 809 894
Meter Management	8 414 614	6 346 848
Security Services	53 313 030	63 871 764
Sewerage Services	18 661 173	107 389 469
Maintenance Contractors	85 029 988	72 347 849
	<u>249 876 325</u>	<u>342 649 076</u>

33. Grants and subsidies

Subsidies	<u>9 381 576</u>	<u>12 952 851</u>
-----------	------------------	-------------------

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

33. Grants and subsidies (continued)

Details of Grants and Subsidies paid

SPCA	450 000	433 300
uMhlathuze 035 Experience	-	1 000 000
Spring Tour Music Festival	500 000	500 000
Sundries	18 580	373 860
Dolosfees Festival	-	200 000
Jabulani Shandu eMatshana Tournament	-	80 000
Operation Sukuma Sakhe Programs	-	41 935
Community Mayor Outreach	65 000	100 110
University Registrations	180 000	179 217
Disaster Management Awareness Campaigns and Relief Assistance	124 335	446 437
Diwali Festival	80 000	50 000
Music Festival	-	16 300
Sebenza Women's Awards	-	100 000
Richards Bay Football Club	3 000 000	2 500 000
Sanca Zululand	-	80 000
Christmas Party for Senior Citizens	410 203	340 000
uMhlathuze Community Tourism Association	-	194 000
Christmas Party for Children	16 407	76 000
Poverty Relief Programmes for Covid - 19 Pandemic	-	2 028 498
Sizzle City Food Media Tour	-	100 000
Sport Event	-	111 200
Mandela Day	-	390 466
Downstream Alluminium Centre for Technology	-	296 528
Religious Sector	-	50 000
Sandile Gumede Annual Youth Football Tournament	250 000	115 000
Tono Boxing Promotion	-	350 000
Soul and Jazz Experience	2 622 500	2 500 000
Madiba Jive Music Festival	250 000	200 000
Group Training Studio	-	100 000
uMhlathuze Community Tourism Association	289 500	-
Funeral - Late Cllr Zuma	99 598	-
Funeral - Late Cllr Mpungose	86 261	-
Funeral - Late Cllr Ncanana	79 046	-
Mjwara Family House - Build	600 000	-
Funeral for Mr Mhlongo (Fire Dept)	71 650	-
Luh and Jay Pty Ltd	100 000	-
Imizwa-Vertebra Production Studio	88 496	-
	9 381 576	12 952 851

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
34. Operating expenses		
Advertising	4 042 366	3 688 447
Auditors remuneration	5 007 990	5 223 925
Bank charges	8 488 395	9 125 891
Cleaning	3 380	13 650
Commission paid	7 147 803	9 335 887
Entertainment	44 973	23 785
Fines and penalties	379 430	106 789
Insurance	15 348 624	10 447 988
Community development and training	6 180 000	7 390 853
Conferences and seminars	284 717	613 305
Employee awards	27 905	110 270
Levies	6 398 882	5 764 479
Motor vehicle expenses	3 086 309	2 848 067
Packaging	209 761	106 876
Postage and courier	2 589 332	2 359 934
Printing and stationery	228 335	267 285
Workmen's Compensation Fund	4 261 948	3 788 433
Software expenses	18 801 507	23 853 495
Subscriptions and membership fees	10 119 822	8 824 881
Telephone and fax	7 027 972	7 588 303
Refuse site fees	12 225 623	10 126 818
Sewerage and waste disposal	5 805 865	-
Uniforms	6 166 661	5 702 577
Bursaries	887 532	1 029 728
Indigent support	1 502 417	1 700 638
Licences	4 397 547	2 941 537
Other materials	129 011 118	94 733 530
Travel and Subsistence	1 542 404	3 661 902
Rental of property, plant and equipment	28 945 616	28 455 237
Signage	336 311	516 135
Water levies	32 029 468	23 103 232
Inventory loss	-	1 022 828
	322 530 013	274 476 705

35. Auditors' remuneration

Fees	5 007 990	5 223 925
------	-----------	-----------

36. Operating lease

The municipality as a lessee

At the reporting date, the municipality has an outstanding commitments under operating leases which fall due as follows:

IT Equipment

Within one year	3 438 255	4 253 664
In the second to the fifth year inclusive	3 350 048	6 920 328
	6 788 303	11 173 992

Operating lease payment represents rentals by the municipality for certain of its offices. The municipality also has current lease arrangements for three years for printers. No contingent rent is payable.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
37. Cash generated from operations		
Surplus	130 744 284	46 130 675
Adjustments for:		
Depreciation and amortisation	346 458 822	355 496 937
Loss on sale of assets and liabilities	90 680 918	3 547 466
Impairment deficit	1 214 030	868 309
Debt impairment	202 581 992	230 050 769
Movements in retirement benefit assets and liabilities	43 755 000	22 204 000
Movements in provisions	1 863 424	5 303 761
Other non-cash items - inventory gain	(2 447)	-
Changes in working capital:		
Inventories	61 884	(89 337)
Consumer debtors	(165 858 863)	(158 851 524)
Statutory receivables	(89 988 906)	(77 828 536)
Other receivables	(2 190 298)	34 046 279
Payables from exchange transactions	(12 561 949)	98 616 747
VAT	30 087 193	7 302 600
Unspent conditional grants and receipts	(12 704 125)	12 543 892
Consumer deposits	(7 523 446)	(3 728 040)
	556 617 513	575 613 998
38. Commitments		
Authorised capital expenditure		
Approved contracted for		
• Property, plant and equipment	380 205 647	285 274 877
Total capital commitments		
Approved contracted for	380 205 647	285 274 877

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, government grants, funds internally generated, etc.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

39. Contingencies

Panda Petroleums: Tender 8/2/1/983 was awarded to Panda PetroleumCC. There is a term letter that was addressed to the Lessee on 30 June 2017 advising him of the various breaches committed in terms of the agreement and urged him to remedy the breaches with a specific time frame, which was not adhered to. A termination letter was subsequently addressed to Panda. The meeting held between the two parties were unable to bring forth a consensus and therefore the matter has been taken to court. Fees incurred by council to date are R 136 830.46.

Thinasobabili Trading Enterprises CC: Action instituted against council by Thinasobabili for an amount of R 1 198 897 in respect of an invoice dated 3 September 2014, which it claimed was still owing and payable. The matter is ongoing. Fees incurred by council to date are R 57 711.61

Mbawula Investments (PTY) LTD: A notice of motion was served on Council on 4 December 2019, with court date being 12 December 2019, interdicting and restraining Council from using the words "Last Dance Music Festival" on Council' New Year's Even event. A date for taxation of the Bill of costs by the Taxation Master is awaited. Cost incurred to date amount to R 284 660.40.

Council is in legal dispute with various Clubs regarding evictions. The clubs in question are **Meerensee Boat club, Richards Bay ski boat club, Zululand yacht club, Zululand multi sports club and River Rock**. Fees incurred by council to date are R 3 879 206.26

Contingent assets

Thinasobabili Trading Enterprises CC: Council Instituted a counter-claim of R 2 339 614 for defective performance. Performance Guarantee was issued in its favour when the tender was awarded to Thinasobabili.

Kulu Civils: In the process of seeking to procure the services, Kulu Civils invoked the provisions of Section 32 of the SCM policy. The intention to award was therefore cancelled. The matter was taken to court and judgement in favour of Council was handed down however Kulu Civils filed an application for Leave to Appeal. This matter is ongoing. Fees incurred by council to date are R 248 408.32.

Asidlali Business Forum: In the process of seeking to procure the services, Kulu Civils invoked the provisions of Section 32 of the SCM policy. The intention to award was therefore cancelled. The matter was taken to court and judgement in favour of Council was handed down however Kulu Civils filed an application for Leave to Appeal. This matter is ongoing. Fees incurred by council to date are R 322 288.47.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

40. Related parties

Key management information

Remuneration of management

Executive committee members

2021

Name	Basic salary	Cellphone/Data Allowance	Travel Allowance	Medical Aid	Pension	Total
Mhlongo MG - Mayor	828 144	44 400	-	94 632	124 222	1 091 398
Sibiya KD - Deputy Mayor	504 875	44 400	209 399	47 592	75 731	881 997
Mkhize G - Speaker	670 145	44 400	-	66 930	100 522	881 997
Lourens M - Chief Whip	682 823	44 400	-	-	102 423	829 646
Gumede TS - Executive Committee	486 584	44 400	196 312	29 364	72 987	829 647
Mthembu BC - Executive Committee	450 292	44 400	196 312	71 100	67 543	829 647
Mthethwa KN - Executive Committee	470 071	44 400	196 312	48 354	70 510	829 647
Ndimande DJ - Executive Committee	450 292	44 400	196 312	71 100	67 543	829 647
Phahla TM - Executive Committee	450 292	44 400	196 312	71 100	67 543	829 647
Sookroo M - Executive Committee	434 264	44 400	196 312	89 531	65 140	829 647
Zikhali RM - Executive Committee	470 733	44 400	196 312	47 592	70 610	829 647
Botha CM - Executive Committee	460 523	44 400	196 312	59 334	69 078	829 647
	6 359 038	532 800	1 779 895	696 629	953 852	10 322 214

2020

Name	Basic salary	Cellphone/Data Allowance	Travel Allowance	Medical Aid	Pension	Total
Mhlongo MG - Mayor	832 761	44 400	-	89 322	124 914	1 091 397
Sibiya KD - Deputy Mayor	507 421	44 400	209 399	44 664	76 113	881 997
Mkhize G - Speaker	674 152	44 400	-	62 322	101 123	881 997
Lourens M - Chief Whip	682 824	44 400	-	-	102 424	829 648
Fourie LCM - Executive Committee	41 093	3 581	15 832	-	6 401	66 907
Gumede TS - Executive Committee	644 389	44 400	16 359	27 840	96 658	829 646
Mthembu BC - Executive Committee	453 761	44 400	196 312	67 110	68 064	829 647
Mthethwa KN - Executive Committee	472 252	44 400	196 312	45 846	70 838	829 648
Ndimande DJ - Executive Committee	453 761	44 400	196 312	67 110	68 064	829 647

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020				
40. Related parties (continued)						
Phahla TM - Executive Committee	453 761	44 400	196 312	67 110	68 064	829 647
Sookroo M - Executive Committee	440 926	44 400	196 312	81 870	66 139	829 647
Zikhali RM - Executive Committee	473 279	44 400	196 312	44 664	70 992	829 647
Botha CM - Executive Committee	388 809	37 477	165 704	50 932	57 371	700 293
	6 519 189	529 458	1 585 166	648 790	977 165	10 259 768

Management class: Councillors

2021

	Basic salary	Cellphone/Data Allowance	Travel Allowance	Medical Aid	Pension	Total
Name						
Executive committee members	6 359 038	532 800	1 779 895	696 629	953 852	10 322 214
Other Councillors	12 461 164	2 327 161	2 183 230	1 303 171	1 800 191	20 074 917
Section 79 Chairperson	443 576	44 400	190 554	61 548	66 536	806 614
	19 263 778	2 904 361	4 153 679	2 061 348	2 820 579	31 203 745

2020

	Basic salary	Cellphone/Data Allowance	Travel Allowance	Medical Aid	Pension	Total
Name						
Executive committee members	6 519 189	529 458	1 585 166	648 790	977 165	10 259 768
Other Councillors	11 888 876	2 245 538	2 039 439	1 106 073	1 722 939	19 002 865
Section 79	1 259 955	177 600	403 161	185 748	188 991	2 215 455
	19 668 020	2 952 596	4 027 766	1 940 611	2 889 095	31 478 088

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

41. Prior-year adjustments

During the year the municipality reviewed the useful lives of assets and there were assets that had been fully depreciated but still in use and prior depreciation had to be reversed and treated as prior period error. The Municipality also adjusted prior year receivables from exchange transactions due to the retrospective tariff adjustment approved by Council for King Cetshwayo District Municipality account as well as other billings transactions that were incorrectly processed in the prior year. Payable from exchange transactions has also been corrected as a result of good receipts accrual in the prior period that was subsequently adjusted as well as water extraction levies that have not been accounted for. Proceeds from sale of land received in 2019/2020 financial year was incorrectly allocated in the 2020/2021 financial year.

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments:

Statement of financial position

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventory	2	53 794 844	-	61 835 801	115 630 645
Accumulated surplus	18	5 964 144 336	(41 771 226)	-	5 922 373 110
Property, plant and equipment	8	6 165 657 541	7 116 779	(61 835 801)	6 110 938 519
Statutory Receivables	3	47 230 752	(7 228 457)	-	40 002 295
Receivables from exchange transactions	4	414 523 840	(42 505 672)	-	372 018 168
Payables from exchange transactions	12	510 287 648	9 870 881	8 680 062	528 838 591
Receivables from non-exchange	5	14 278 875	-	8 680 062	22 958 937
		13 169 917 836	(74 517 695)	17 360 124	13 112 760 265

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Rental of facilities and equipment		21 295 693	-	(11 102 000)	10 193 693
Loss on sale of disposal of assets		19 845 146	(5 195 680)	(11 102 000)	3 547 466
Deficit for the year		41 140 839	(5 195 680)	(22 204 000)	13 741 159

42. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: Interest rate risk, credit risk and liquidity risk.

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

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

42. Going concern (continued)

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses. This is guided by working capital and revenue enhancement policy.

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

The credit profile of uMhlathuze municipality issued by Moody's Investor Service for the 2020/2021 financial year, is based on a structurally very weak growth in the country which is expected to further strain the municipality's operations in the coming years because of its reliance on its own revenue sources. The rating has thus been downgraded to B1/Baa1.za.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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

At 30 June 2021	up to 1 year	1-5 years	Over 5 years	Total
Borrowings	145 735 430	565 568 009	144 873 794	856 177 233
Trade and other payables	512 998 270	-	-	-
Consumer deposits	54 304 470	-	-	54 304 470
At 30 June 2020	up to 1 year	1-5 years	Over 5 years	Total
Borrowings	134 747 556	590 841 116	145 237 375	870 826 047
Trade and other payables	503 745 444	-	-	503 745 444
Consumer deposits	61 827 916	-	-	61 827 916

Credit risk

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

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

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

Financial instrument	2021	2020
Investments	630 000 000	490 000 000
Cash and cash equivalents	190 690 308	109 918 428
Receivables from exchange transactions	400 741 831	372 018 169
Other Receivables	32 467 816	22 958 937

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

42. Going concern (continued)

Market risk

Interest rate risk

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

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. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

43. Events after the reporting date

Civil Unrest

In the period from 9 to 17 July 2021 extensive damages were caused to businesses and households throughout the Province of KwaZulu Natal including City of uMhlathuze due to civil unrest. At this stage there is no accurate assessment of the damages, and the impact to municipal economy

New Council

On 23 November 2021 a new Council was inaugurated. The new Political Office Bearers are Cllr Dr NG Donda (Mayor), Cllr NN Ngubane (Deputy Mayor), Cllr T Gumede (Speaker).

Damages to Electrical Infrastructure.

In September 2021, there was a fire damage to Scorpio Substation which affected transformers and the structure. Electricity distribution has been restored through temporary measures. The accounting impact of this will be assessed in the next reporting period.

44. Irregular expenditure

Opening balance as previously reported	177 818 741	125 161 354
Opening balance as restated	177 818 741	125 161 354
Add: Irregular Expenditure - current	12 480 823	52 657 387
Less: Amount written off - current	(9 623 448)	-
Closing balance	180 676 116	177 818 741

Amounts written-off

After the Council committee investigations, Council on 28 April 2021 adopted the Council committee recommendation to write-off an amount of R 9 623 448 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Irregular expenditure

The irregular expenditure disclosed by the Municipality relates to Supply Chain Management Regulations 36 approvals by the Accounting Officer, Supply Chain Management Regulations 22 clause 2(shortening of tender advertisement period) and the appointment of the ERP service provider. This matter is still under investigation as resolved by MPAC.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	10 119 822	8 824 881
---------------------------------	------------	-----------

Audit fees

Current year subscription / fee	5 007 998	5 223 925
---------------------------------	-----------	-----------

PAYE and UIF

Current year subscription / fee	151 091 751	135 776 558
Amount paid - current year	(151 091 751)	(135 776 558)
	-	-

Pension and Medical Aid Deductions

Opening balance	(4 441)	(1 953)
Current year subscription / fee	154 780 297	211 192 647
Amount paid - current year	(154 803 602)	(211 186 253)
Amount paid - previous years	27 746	(4 441)
	-	-

VAT

VAT receivable	9 157 073	30 011 962
VAT payable	61 732 265	52 499 961
	52 575 192	22 487 999

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

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

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

Councillors' arrear consumer accounts

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

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
De Wet H	100	-	100
Mthembu SN	536	2 363	2 899
Mthethwa KN	1 526	4 840	6 366
Ntuli DE	9 733	112 841	122 574
Simmadhri S	1 023	-	1 023
Wanda TP	-	306	306
Xulu ZZ	1 221	8 884	10 105
Zibani NT	124	-	124
Zondo LP	335	-	335
	14 598	129 234	143 832

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Mhlongo MG	804	-	804
Mthembu SN	2 644	1 904	4 548
Mthethwa KN	595	-	595
Ntuli DE	107	145 569	145 676
Xulu ZZ	4 628	4 206	8 834
	8 778	151 679	160 457

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

Supply chain management regulations

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

Incident

Emergency	14 424 132	42 543 714
Sole provider	4 168 232	7 465 105
Exceptional case where it is impossible to follow procurement process	227 153 685	17 541 085
	245 746 049	67 549 904

46. Segment information

General information

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

46. Segment information (continued)

Identification of segments

The segments were organised around the type of services delivered by the municipality which are also the main revenue generating streams. These segments also represents the funding sources that fund the municipal operations as per mSCOA. Management uses these same segments for determining strategic objectives particularly on the financial viability of each service. Different services funded by rates and general were aggregated to the Other segment for reporting purposes.

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

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

Electricity Management
Waste Management
Waste Water Management
Water Management
Other

Goods and/or services

Energy Services
Refuse Services
Sewerage Services
Water Services
Community Services, Sports and Recreation, Roads, Public Safety, Finance & Admin, Housing,etc

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

Figures in Rand

46. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Electricity Management	Waste Management Services	Waste Water Management	Water Management	Other	Total
Revenue						
External revenue from non-exchange transactions	46 231 873	92 497 400	215 069 994	301 837 695	658 573 689	1 314 210 651
External revenue from exchange transactions	1 427 907 693	93 441 023	100 128 236	491 555 513	49 288 804	2 162 321 269
Inter-segment revenue	78 136 348	4 078 949	-	-	-	82 215 297
Interest revenue	-	-	-	-	32 646 390	32 646 390
Total segment revenue	1 552 275 914	190 017 372	315 198 230	793 393 208	740 508 883	3 591 393 607
Entity's revenue						3 591 393 607
Expenditure						
Salaries and wages	78 303 089	92 124 463	65 087 756	86 040 572	627 015 876	948 571 756
Interest	20 656 792	172 782	4 269 435	16 320 680	17 601 758	59 021 447
Depreciation	25 144 601	1 815 945	80 775 318	86 938 078	151 784 879	346 458 821
Other Expenditure	1 278 964 182	51 474 727	201 292 410	329 459 614	245 406 368	2 106 597 301
Total segment expenditure	1 403 068 664	145 587 917	351 424 919	518 758 944	1 041 808 881	3 460 649 325
Total segmental surplus/(deficit)						130 744 282
Assets						
Segment assets	1 060 704 169	138 391 320	1 189 102 607	1 451 932 416	3 827 464 154	7 667 594 666
Total assets as per Statement of financial Position						7 667 594 666
Liabilities						
Segment liabilities	111 256 027	20 868 993	122 041 647	313 862 619	1 046 447 978	1 614 477 264
Total liabilities as per Statement of financial Position						1 614 477 264

City of uMhlatuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

47. Budget differences

Explanation of variances between approved and final budget amounts

Explanation of variances greater than 20% between the final budget and actual amounts

Statement of Financial Performance

Revenue

Agency Services: The variance is caused by the department of transport extending the period of renewing licenses and other fees because of the Covid - 19 pandemic.

Other Revenue: The variance is caused by a decrease mainly in Extensions fees.

Interest on Investments: The variance is the result of decrease in surplus funds available for investments during the year.

Fines, Penalties and Forfeits: The variance is caused by the accrual of the fines issued during the year as opposed to the realistically anticipated revenue included in the budget.

Interest Earned - Outstanding debtors: The variance is due to interest levied on outstanding study loan fees.

Expenditure

Debt Impairment: The variance is mainly due to the increase in the provision for debt impairment.

Contracted Services: The variance is mainly due to reduction in sewerage services as a result of insourcing of the service.

Transfers and subsidies: As a result of various lock down regulations implemented by government, a lot of activities and programmes did not take place and therefore there was a decrease in the subsidies offered by the municipality.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of the Adjustment budget that was approved by Council on 24 February 2021.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021

2020

48. Accounting by principals and agents

The Municipality is a party to a principal-agent arrangement(s).

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

Department of Transport.

The Municipality acts on behalf of the Department to issue licences to, and collect money from motorists, i.e. there are three parties to the arrangement, principal (Department of Transport), agent(uMhlathuze Municipality) and third party (motorists).

As the Department of transport is responsible for issuing the licence, the transaction is however between the Department of Transport and the motorist, i.e. the municipality is not a party to the transaction with the third parties. The municipality facilitates the issuing of these licenses and the collection of the prescribed fees.

The Municipality receives a fee of 8.55% of the transaction amount and there were no changes that occurred during the reporting period

Department of Human Settlements

The Municipality acts as an agent on behalf of the Department for the implementation of housing projects. The Municipality receives funds from the Department and pays it over to contractors once invoices are received and certified by the Department.

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is 7 840 537 (2020: 5 660 351).

Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

Department of Human Settlements

Opening balance	45 291 803	-
Amount received from principal	78 548 422	135 363 485
Cash paid on behalf of the principal	(103 916 524)	(90 071 682)
	19 923 701	45 291 803

All categories

Opening balance	45 291 803	-
Expenses incurred on behalf of the principal	78 548 422	135 363 485
Cash paid on behalf of the principal	(103 916 524)	(90 071 682)
	19 923 701	45 291 803

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

Fee paid

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

Appendix A (Unaudited)

June 2021

Schedule of external loans as at 30 June 2021

Loan Number	Redeemable	Balance at Tuesday, 30 June 2020	Received during the period	Redeemed written off during the period / Interest accrued	Balance at Wednesday, 30 June 2021	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA	
		Rand	Rand	Rand	Rand	Rand	Rand	
Development Bank of South Africa								
DBSA (9,70%)	61007577	2029/06/29	289 958 177	-	21 650 066	268 308 111	-	-
			289 958 177	-	21 650 066	268 308 111	-	-
Other loans								
Standard Bank (5,82%)		2030/06/30	-	90 028 687	-	90 028 687	-	-
Nedbank (9,59%)	1003878/3	2022/06/17	21 993 021	-	10 480 345	11 512 676	-	-
Nedbank (10,13%)	1003878/4	2024/06/28	40 000 000	-	9 991 674	30 008 326	-	-
Standard Bank (10,24%)	407554	2026/06/30	264 903 198	-	33 902 834	231 000 364	-	-
			326 896 219	90 028 687	54 374 853	362 550 053	-	-
Total external loans								
Development Bank of South Africa			289 958 177	-	21 650 066	268 308 111	-	-
Other loans			326 896 219	90 028 687	54 374 853	362 550 053	-	-
			616 854 396	90 028 687	76 024 919	630 858 164	-	-

Appendix B (Unaudited)

June 2021

Analysis of property, plant and equipment as at 30 June 2021

Cost/Revaluation **Accumulated depreciation**

	Opening Balance	Acc Depr	Acquisitions	Transfers	Other changes, movements	Closing Balance	Opening Balance	Acquisitions	disposal	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings													
Land (Separate for AFS purposes)	1 223 873 076	-	-	-	-	1 223 873 076	-	-	(171 878 966)	-	(8 190)	(171 887 156)	1 051 985 920
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
	1 223 873 076	-	-	-	-	1 223 873 076	-	-	(171 878 966)	-	(8 190)	(171 887 156)	1 051 985 920
Infrastructure													
Electrical Infrastructure	972 042 338	(380 653 279)	-	-	(418 723)	590 970 336	-	51 197 674	(29 162)	(23 636 319)	(70 143)	27 462 050	618 432 386
Storm water Infrastructure	1 160 655 974	(856 689 903)	-	-	(64 517)	303 901 554	-	-	(66 692)	(17 086 143)	-	(17 152 835)	286 748 719
Coastal Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-
Information and communication	88 714 936	(8 906 459)	-	-	-	79 808 477	-	3 316 736	-	(2 355 893)	-	960 843	80 769 320
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Rail Infrastructure	6 106 569	(4 535 610)	-	-	-	1 570 959	-	-	-	(92 170)	-	(92 170)	1 478 789
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Infrastructure	2 479 592 280	(1 624 837 504)	-	-	-	854 754 776	-	54 852 512	(708 914)	(50 735 066)	-	3 408 532	858 163 308
Solid waste infrastructure	12 946 554	(5 698 233)	-	-	-	7 248 321	-	137 200	-	(545 541)	-	(408 341)	6 839 980
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Sanitation Infrastructure	1 829 314 194	(1 112 552 777)	-	-	(977 187)	715 784 230	-	39 610 776	(825 388)	(62 634 094)	(34 202)	(23 882 908)	691 901 322
Coastal Infrastructure	37 362 097	(18 984 472)	-	-	-	18 377 625	-	1 201 180	-	(651 327)	-	549 853	18 927 478
Water Supply infrastructure	5 089 267 810	(3 636 318 098)	-	-	(1 461 071)	1 451 488 641	-	166 216 243	(4 901 163)	(85 308 526)	(558 255)	75 448 299	1 526 936 940
Security Measures	-	-	-	-	-	-	-	-	-	-	-	-	-
	11 676 002 752	(7 649 176 335)	-	-	(2 921 498)	4 023 904 919	-	316 532 321	(6 531 319)	(243 045 079)	(662 600)	66 293 323	4 090 198 242
Community Assets													
Community facilities	295 821 967	(112 527 111)	-	-	(205 802)	183 089 054	-	9 256 386	(788 452)	(13 034 512)	(476 905)	(5 043 483)	178 045 571
Clinics/Care Centres	-	-	-	-	-	-	-	-	-	-	-	-	-
Creches	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire/Ambulance Stations	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Ablution Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxi Ranks/Bus Terminals	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport & Recreation Facilities	248 385 492	(113 208 727)	-	-	-	135 176 765	-	21 129 208	-	(12 071 364)	-	9 057 844	144 234 609
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-
	544 207 459	(225 735 838)	-	-	(205 802)	318 265 819	-	30 385 594	(788 452)	(25 105 876)	(476 905)	4 014 361	322 280 180

Appendix B (Unaudited)

June 2021

Analysis of property, plant and equipment as at 30 June 2021

Cost/Revaluation **Accumulated depreciation**

	Opening Balance	Acc Depr	Acquisitions	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Acquisitions	disposal	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets														
Buildings	2 306 561	-	-	-	-	-	2 306 561	-	-	-	-	-	-	2 306 561
Painting and art galleries	158 050	-	-	-	-	-	158 050	-	-	-	-	-	-	158 050
	2 464 611	-	-	-	-	-	2 464 611	-	-	-	-	-	-	2 464 611
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
Computer Equipment	45 512 113	(35 178 320)	-	-	-	-	10 333 793	-	3 552 754	(56 642)	(2 940 833)	-	555 279	10 889 072
Furniture and Office Equipment	28 653 980	(20 708 206)	-	-	-	-	7 945 774	-	1 002 770	(10 488)	(1 919 872)	-	(927 590)	7 018 184
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Machinery and Equipment	368 817 804	(187 337 047)	-	-	-	-	181 480 757	-	12 806 514	(1 095 519)	(25 973 173)	-	(14 262 178)	167 218 579
Operational Buildings	317 692 763	(157 056 710)	-	-	-	-	160 636 053	-	3 657 818	(675 506)	(14 327 807)	(66 010)	(11 411 505)	149 224 548
Transport Assets	119 585 422	(76 963 980)	-	-	-	-	42 621 442	-	12 931 627	(1 646 496)	(11 252 378)	-	32 753	42 654 195
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land main investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water craft	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	180 340 441	(36 497 756)	-	-	-	-	143 842 685	-	4 567 037	(1 515 455)	(10 470 748)	-	(7 419 166)	136 423 519
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1 060 602 523	(513 742 019)	-	-	-	-	546 860 504	-	38 518 520	(5 000 106)	(66 884 811)	(66 010)	(33 432 407)	513 428 097

Appendix B (Unaudited)

June 2021

Analysis of property, plant and equipment as at 30 June 2021

Cost/Revaluation **Accumulated depreciation**

	Opening Balance	Acc Depr	Acquisitions	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Acquisitions	disposal	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment														
Land and buildings	1 223 873 076	-	-	-	-	-	1 223 873 076	-	-	(171 878 966)	-	(8 190)	(171 887 156)	1 051 985 920
Infrastructure	11 676 002 752	7 649 176 335)	-	-	-	(2 921 498)	4 023 904 919	-	316 532 321	(6 531 319)	(243 045 079)	(662 600)	66 293 323	4 090 198 242
Community Assets	544 207 459	(225 735 838)	-	-	-	(205 802)	318 265 819	-	30 385 594	(788 452)	(25 105 876)	(476 905)	4 014 361	322 280 180
Heritage assets	2 464 611	-	-	-	-	-	2 464 611	-	-	-	-	-	-	2 464 611
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	1 060 602 523	(513 742 019)	-	-	-	-	546 860 504	-	38 518 520	(5 000 106)	(66 884 811)	(66 010)	(33 432 407)	513 428 097
	14 507 150 421	8 388 654 192)	-	-	-	(3 127 300)	6 115 368 929	-	385 436 435	(184 198 843)	(335 035 766)	(1 213 705)	(135 011 879)	5 980 357 050
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	137 786 702	(14 182 893)	-	-	-	-	123 603 809	-	55 495 677	(134 054)	(10 907 450)	134 054	44 588 227	168 192 036
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	137 786 702	(14 182 893)	-	-	-	-	123 603 809	-	55 495 677	(134 054)	(10 907 450)	134 054	44 588 227	168 192 036
Investment properties														
Investment property	94 255 678	(6 974 539)	-	-	-	-	87 281 139	-	-	(326)	(523 789)	-	(524 115)	86 757 024
	94 255 678	(6 974 539)	-	-	-	-	87 281 139	-	-	(326)	(523 789)	-	(524 115)	86 757 024
Total														
Land and buildings	1 223 873 076	-	-	-	-	-	1 223 873 076	-	-	(171 878 966)	-	(8 190)	(171 887 156)	1 051 985 920
Infrastructure	11 676 002 752	7 649 176 335)	-	-	-	(2 921 498)	4 023 904 919	-	316 532 321	(6 531 319)	(243 045 079)	(662 600)	66 293 323	4 090 198 242
Community Assets	544 207 459	(225 735 838)	-	-	-	(205 802)	318 265 819	-	30 385 594	(788 452)	(25 105 876)	(476 905)	4 014 361	322 280 180
Heritage assets	2 464 611	-	-	-	-	-	2 464 611	-	-	-	-	-	-	2 464 611
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	1 060 602 523	(513 742 019)	-	-	-	-	546 860 504	-	38 518 520	(5 000 106)	(66 884 811)	(66 010)	(33 432 407)	513 428 097
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	137 786 702	(14 182 893)	-	-	-	-	123 603 809	-	55 495 677	(134 054)	(10 907 450)	134 054	44 588 227	168 192 036
Investment properties	94 255 678	(6 974 539)	-	-	-	-	87 281 139	-	-	(326)	(523 789)	-	(524 115)	86 757 024
	14 739 192 801	8 409 811 624)	-	-	-	(3 127 300)	6 326 253 877	-	440 932 112	(184 333 223)	(346 467 005)	(1 079 651)	(90 947 767)	6 235 306 110

Appendix F (Unaudited)
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2021

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / w	
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Dec	Mar
Museum Subsidy	KZN - Dept of Edu & Culture	-	-	214 000	-	682 537	877 999	828 146	880 240	-	-
Housing operationa acc	KZN - Dept of Housing	-	-	2 333 717	-	7 208 756	7 758 870	7 663 012	6 916 138	-	-
IUDG	National Treasury	38 944 000	59 002 000	62 017 000	-	6 057 149	9 900 496	27 379 773	116 625 581	-	-
Financial Management Grant	National Treasury	2 600 000	-	-	-	267 783	394 957	258 201	1 679 059	-	-
Equitable share EPWP	National Treasury	185 591 000	177 678 000	99 218 000	-	-	-	-	-	-	-
Energy efficient and demand mngt	National Treasury	1 500 000	2 000 000	1 000 000	-	-	-	2 478 000	2 022 000	-	-
Mpembeni Modular Library	KZN- Dept of Library Services	-	-	-	637 000	-	-	-	-	-	-
Water services Infrastructure	National Treasury	5 000 000	10 000 000	10 000 000	-	3 139 174	17 743 359	3 210 921	906 546	-	-
Extended public works programme	National Treasury	1 070 000	1 925 000	1 283 000	-	865 279	878 672	999 514	1 534 535	-	-
eSikhawini hostel refurbishmen t	KZN - Dept of Hosing	21 004	13 408	9 937	9 829	23 021	23 021	82 552	82 552	-	-
INEP	National treasury	-	-	-	-	-	-	-	-	-	-

Beach Protection	KCDM	-	-	-	-	-	-	-	-	-	-	-
Implementation of the enhanced extended discount benefit scheme	KZN - Dept of Housing	11 853	7 440	6 526	6 144	-	-	-	125 856	-	-	-
Libraries - Internet Access	KZN - Dept of library services	-	1 808 000	-	-	427 875	497 657	509 426	501 250	-	-	-
Library Subsidy	KZN - Dept of library services	-	8 932 000	-	-	5 810 220	7 139 682	6 913 937	6 633 672	-	-	-
Career Expo	Dept of public works	-	-	-	-	-	-	-	-	-	-	-
Asset Donated	Dept of Arts & Culture	-	-	-	-	-	-	-	-	-	-	-
Asset Donated	Dept of sport	-	-	-	-	-	-	-	-	-	-	-
Richards Bay Airport	KZN - Economic Development & Tourism	-	-	-	-	-	-	-	800 000	-	-	-
Service delivery on Electrical Services	KZN - COGTA	-	-	-	-	-	-	-	-	-	-	-
Donated land	Department of human settlement	-	-	-	-	-	-	-	-	-	-	-
Tourism Development	KZN - COGTA	-	-	-	-	-	-	-	-	-	-	-
Municipal Excellence Award	KZN - COGTA	-	-	-	-	-	-	-	-	-	-	-
Implement of the enhanced discount benefit	KZN - Housing	-	-	-	-	-	-	-	-	-	-	-
Comm Dev Programme	KZN - COGTA	-	-	-	-	-	-	-	-	-	-	-
GIS	KZN - COGTA	-	-	-	-	-	-	-	-	-	-	-
Sport & Rec	Dept of Sport	-	-	-	-	-	-	403 717	5 558 338	-	-	-
Cleanest town	Water Affairs	-	-	800 000	-	-	-	-	-	-	-	-
Intergrated urban development grant	National Treasury	-	-	-	-	-	-	-	-	-	-	-
		234 737 857	261 365 848	176 882 180	652 973	24 481 794	45 214 713	50 727 199	144 265 767	-	-	-

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.