Umzimkhulu Local Municipality
Annual Financial Statements
For the period ended 30 June 2021

Umzimkhulu Local Municipality
(Registration number KZN435)
Annual Financial Statements for the year ended June 30, 2021

General Information

Legal form of entity	Local Municipality in terms of section 1 of the local government: Municipality Structures Act(Act 117 of 1998) read with section 155(1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of public services to communities in a suitable manner, to promote social and economic development and to promote a safe and healthy environment.
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1998) Local Government: Municipal Finanace Management Act (Act no.56 of 2003). Local government: Municipal Systems Act (Act 32 of 2000), Local Government: Municipal Structures Act (Act 117 of 1998), Municipal Property Rates Act (Act no 6 of 2004), Division of Revenue Act (Act 1 of 2007).
Mayoral Committee	
Mayor	Cllr M B Mpabanga
Deputy Mayor	Cllr S Nkala
Speaker	Cllr J Msiya
Chief Whip	Cllr X Tshazi
Members of the Executive Committee	Cllr B Kleinbooi
Members of the Executive Committee	Cllr T Machi
Members of the Executive Committee	Cllr B Lukakayi
Members of the Executive Committee	Cllr B Z Magaqa
Members of the Executive Committee	Cllr K Mafuleka
Members of the Executive Committee	Cllr N Jaca
Bankers	First National Bank
Auditors	Auditor-General of South Africa
Registered office and business address	169 Main Street Umzimkhulu 3297
Postal address	P O Box 53 Umzimkhulu 3297
Telephone number	039 259 5000
Fax number	039 259 0427
Email address	info@umzimkhululm.gov.za

Index

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

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

Approval of the Annual Financial Statements

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial statements and related financial information included in this report. It is my responsibility, as the Accounting Officer to ensure that these financial statements fairly present the state of the affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The accounting officer confirms that salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution

The annual annual financial statements set out on pages 4 to 79, which have been prepared on the going concern basis, were approved by the on 31 August 2021

Mr Z S Sikhosana
Accounting Officer

Statement of Financial Position as at June 30, 2021

Figures in Rands	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	210,483,645	246,184,257
Receivables from exchange transactions	3	2,965,732	3,983,349
Receivables from non-exchange transactions(Statutory receivables)	4	4,747,254	2,852,834
VAT receivable (Statutory receivables)	5	5,955,853	3,213,286
		224,152,484	**256,233,726**
Non-Current Assets			
Investment property	6	31,078,409	31,108,417
Property, plant and equipment	7	507,502,124	455,801,170
Intangible assets	8	794,603	694,914
Heritage assets	9	432,000	432,000
Other investments	47	30,379,144	-
		570,186,280	**488,036,501**
Total Assets		**794,338,764**	**744,270,227**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	17,208,461	17,847,976
Unspent conditional grants and receipts	11	5,113,271	39,044,480
Unspent agent funds	12	-	12,016,561
Employee benefit obligation	13	700,457	127,239
		23,022,189	**69,036,256**
Non-Current Liabilities			
Employee benefit obligation	13	4,929,792	3,363,352
Provisions	14	4,570,086	4,488,216
		9,499,878	**7,851,568**
Total Liabilities		**32,522,067**	**76,887,824**
Net Assets		**761,816,697**	**667,382,403**
Reserves			
Housing Development fund	15	21,650,398	24,840,303
Accumulated surplus	16	740,166,299	642,542,100
Total Net Assets		**761,816,697**	**667,382,403**

Statement of Financial Performance

Figures in Rands	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Interest received - investment	17	8,714,604	13,027,986
Rental of facilities and equipment	18	1,295,099	1,404,031
Agency services	19	1,482,638	831,263
Service charges	21	2,890,854	2,692,111
Interest received (trading)		409,174	457,152
Licences and permits		70,873	88,571
Impairment loss reversal		-	177,000
Other income	22	1,204,394	861,387
Total revenue from exchange transactions		**16,067,636**	**19,539,501**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	9,483,862	9,820,445
Transfer revenue and other revenue from non-exchange			
Government grants & subsidies	24	327,269,210	239,201,271
Donations		-	11,468,004
Fines, penulties and forfeits	20	748,405	752,455
Total revenue from non-exchange transactions		**337,501,477**	**261,242,175**
Total revenue	25	**353,569,113**	**280,781,676**
Expenditure			
Employee related costs	26	(109,618,152)	(100,894,125)
Remuneration of councillors	27	(16,267,338)	(15,964,261)
Bad debts written-off	28	(958,121)	(905,472)
Depreciation and amortisation	29	(38,336,119)	(35,853,668)
Finance costs	30	(837,932)	(772,539)
Lease rentals on operating lease		(476,092)	(451,470)
Contracted services	32	(34,843,101)	(26,372,847)
Transfers and Subsidies		(614,000)	(254,280)
General Expenses	31	(40,826,649)	(38,406,316)
Total expenditure		**(242,777,504)**	**(219,874,978)**
Surplus for the year from continuing operations		**110,791,609**	**60,906,698**
Gains/ losses on disposal of assets	48	(71,747)	(754,064)
Impairment gain/losses	48	(16,753,062)	(4,496,163)
Surplus for the year		**93,966,800**	**55,656,471**

Statement of Changes in Net Assets

Figures in Rands	Housing Development fund	Accumulated surplus	Total net assets
Balance at July 1, 2019	**23,586,445**	**586,885,629**	**610,472,074**
Changes in net assets			
Surplus for the year	-	55,656,471	55,656,471
Interest on Housing development fund	1,253,858	-	1,253,858
Total changes	1,253,858	55,656,471	56,910,329
Opening balance as previously reported	24,840,303	628,504,702	653,345,005
Adjustments			
Correction of prior period errors	-	14,037,400	14,037,400
Restated* Balance at July 1, 2020 as restated*	**24,840,303**	**642,542,102**	**667,382,405**
Changes in net assets			
Surplus for the year	-	93,966,800	93,966,800
Interest on Housing development fund	467,492	-	467,492
Housing dev payments	(3,657,397)	3,657,397	-
Total changes	(3,189,905)	97,624,197	94,434,292
Balance at June 30, 2021	**21,650,398**	**740,166,299**	**761,816,697**
Note(s)	15		

Cash Flow Statement

Figures in Rands	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Receipts from ratepayers and other services		15,577,545	17,430,155
Government Grants and subsidies		293,338,001	260,016,000
Interest income		8,714,604	12,537,566
Funds receipts		6,000,000	13,000,000
		323,630,150	302,983,721
Payments			
Employee costs		(125,885,490)	(115,418,568)
Suppliers and other payments		(80,536,395)	(71,792,386)
Payments from funds		(18,016,978)	(983,439)
		(224,438,863)	(188,194,393)
Net cash flows from operating activities	34	**99,191,287**	**114,789,328**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(104,116,796)	(49,957,476)
Purchase of other intangible assets	8	(775,103)	(277,356)
Sale of asset		-	141,055
Investments		(30,000,000)	-
Net cash flows from investing activities		**(134,891,899)**	**(50,093,777)**
Net increase/(decrease) in cash and cash equivalents		**(35,700,612)**	**64,695,551**
Cash and cash equivalents at the beginning of the year		246,184,257	181,488,706
Cash and cash equivalents at the end of the year	2	**210,483,645**	**246,184,257**

Statement of comparison of budget and actual amounts

Figures in Rands

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Property rates	9,236,767	155,792	9,392,559	-		9,392,559	9,483,862		91,303	101 %	103 %
Service charges	2,753,127	65,689	2,818,816	-		2,818,816	2,890,854		72,038	103 %	105 %
Interest received- investments	11,054,951	(120,000)	10,934,951	-		10,934,951	8,714,604		(2,220,347)	80 %	79 %
Government grants & subsidies	209,938,000	39,212,827	249,150,827	-		249,150,827	327,269,210		78,118,383	131 %	156 %
Other own revenue	1,659,350	681,922	2,341,272	-		2,341,272	1,204,394		(1,136,878)	51 %	73 %
Rental of facilities and equipment	578,962	(37,000)	541,962	-		541,962	1,295,099		753,137	239 %	224 %
Interest received- trading	505,100	(6,977)	498,123	-		498,123	409,174		(88,949)	82 %	81 %
Agency services	1,200,000	100,000	1,300,000	-		1,300,000	1,482,638		182,638	114 %	124 %
Licences and permits	50,000	-	50,000	-		50,000	70,873		20,873	142 %	142 %
Fines, penulties and forfeits	652,500	99,000	751,500	-		751,500	740,405		(11,095)	99 %	113 %
Total revenue (excluding capital transfers and contributions)	**237,628,757**	**40,151,253**	**277,780,010**	**-**		**277,780,010**	**353,561,113**		**75,781,103**	**127 %**	**149 %**
Employee related costs	(108,834,364)	(1,198,130)	(110,032,494)	-	-	(110,032,494)	(109,618,152)	-	414,342	100 %	101 %
Remuneration of councillors	(18,316,183)	-	(18,316,183)	-	-	(18,316,183)	(16,267,338)	-	2,048,845	89 %	89 %
Bad debts written off	(2,618,000)	(140,000)	(2,758,000)			(2,758,000)	(958,121)	-	1,799,879	35 %	37 %
Depreciation and amortisation	(56,692,976)	9,457,960	(47,235,016)			(47,235,016)	(38,336,119)	-	8,898,897	81 %	68 %
Finance costs	-	-	-	-	-	-	(715,981)	-	(715,981)	DIV/0 %	DIV/0 %
Transfers and subsidies	(150,000)	-	(150,000)	(476,000)	-	(626,000)	(578,000)	-	48,000	92 %	385 %
General expenses	(46,898,000)	(5,120,750)	(52,018,750)	1,083,000	-	(50,935,750)	(38,955,836)	-	11,979,914	76 %	83 %
Other materials	(6,550,000)	2,150,000	(4,400,000)	(13,000)	-	(4,413,000)	(1,906,396)	-	2,506,604	43 %	29 %
Contracted services	(72,761,000)	2,693,773	(70,067,227)	(594,000)	-	(70,661,227)	(34,618,007)	-	36,043,220	49 %	48 %

Statement of Comparison of Budget and Actual Amounts

Figures in Rands

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Lease rentals	(550,000)	60,000	(490,000)	-	-	(490,000)	(476,092)	-	13,908	97 %	87 %
Total expenditure	**(313,370,523)**	**7,902,853**	**(305,467,670)**	**-**	**-**	**(305,467,670)**	**(242,430,042)**	**-**	**63,037,628**	**79 %**	**77 %**
Surplus/(Deficit)	**(75,741,766)**	**48,054,106**	**(27,687,660)**	**-**		**(27,687,660)**	**111,131,071**		**138,818,731**	**(401)%**	**(147)%**
Transfers recognised - capital	43,097,000	35,521,192	78,618,192	-		78,618,192	78,618,382		190	100 %	182 %
Impairment gains/losses	-	-	-	-		-	(10,676,048)		(10,676,048)	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**(32,644,766)**	**83,575,298**	**50,930,532**	**-**		**50,930,532**	**179,073,405**		**128,142,873**	**352 %**	**(549)%**
Surplus/(Deficit) for the year	**(32,644,766)**	**83,575,298**	**50,930,532**	**-**		**50,930,532**	**179,073,405**		**128,142,873**	**352 %**	**(549)%**

Capital expenditure and funds sources

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	95,592,000	29,660,557	125,252,557	-		125,252,557	103,002,424		(22,250,133)	82 %	108 %
Sources of capital funds											
National goverment	43,097,000	21,977,180	65,074,180	-		65,074,180	65,074,180		-	100 %	151 %
Internally generated funds	52,495,000	(5,860,635)	46,634,365	-		46,634,365	25,498,608		(21,135,757)	55 %	49 %
Total sources of capital funds	**95,592,000**	**16,116,545**	**111,708,545**	**-**		**111,708,545**	**90,572,788**		**(21,135,757)**	**81 %**	**95 %**

Statement of Comparison of Budget and Actual Amounts

Figures in Rands

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	464,947,500	(367,836,450)	97,111,050	-		97,111,050	99,191,287		2,080,237	102 %	21 %
Net cash from (used) investing	(95,592,000)	(29,660,557)	(125,252,557)	-		(125,252,557)	(134,891,899)		(9,639,342)	108 %	141 %
Net increase/(decrease) in cash and cash equivalents	**369,355,500**	**(397,497,007)**	**(28,141,507)**	**-**		**(28,141,507)**	**(35,700,612)**		**(7,559,105)**	**127 %**	**(10)%**
Cash and cash equivalents at the beginning of the year	-	246,184,259	246,184,259	-		246,184,259	246,184,257		(2)	100 %	DIV/0 %
Cash and cash equivalents at year end	**369,355,500**	**(151,312,748)**	**218,042,752**	**-**		**218,042,752**	**210,483,645**		**7,559,107**	**97 %**	**57 %**

The variance explanations on the difference between the budget and actual are on note 46, page76.

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Summary of Significant Accounting Policies

1. Presentation of Annual Financial Statements

1.1.1 Basis of preparation

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.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

1.1.2 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.1.3 Changes in accounting policies, esimates and errors

Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in stimates are disclosed in the notes to the annual financial statements where applicable.

Change in an accounting estimate is recognised prospectively in terms of GRAP 3 by including it in surplus or deficit in:

(a) The period of the change, if the change affects that period only; or

(b) The period of the change and future periods, if the change affects both

Errors are corrected retrospectively in the period in which the error has occured in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality changes an accounting policy only in the following instances:
(a) Is required by a Standard of GRAP; or
(b) Results in the annual financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.2 Presentation currency

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

Summary of Significant Accounting Policies

1.3 Going concern assumption

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

1.4 Comparative figures

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

1.5 Critical judgements, estimation and assumptions

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

Significant judgements include:

1.5.1 Revenue recognition

Accounting policy 1.18 on Revenue from exchange Transactions and accounting policy 1.19 of Revenue from non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.5.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 1.12.1 on Financial Assets Classification and on Financial Liabilities Classification describes the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

1.5.3 Impairment of financial assets

Accounting Policy 1.24 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial instruments and used its judgement to select a variety of methods and made assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment value of financial assets recorded during the year is appropriate.

1.5.4 Useful lives of property, plant and equipment, intangible assets and investment property

As described in Accounting Policies 1.7, 1.8 and 1.9 the municipality depreciates/ amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the underlying assets. The estimated useful lives of PPE, investment property and intangible assets are assessed annually and this is dependent on the condition of the assets. The residual values are estimated to be zero as the municipality will be utilising these assets of their entire economic life.

Summary of Significant Accounting Policies

. Critical judgements, estimation and assumptions (continued)

1.5.5 Impairment of property, plant and equipment and intangible assets

Accounting Policy 1.8.3 on PPE - Impairment of assets and Accounting Policy 1.9.3 on Intangible assets- Amortisation and impairment. Subsequent measurement describes the conditions under which non- financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing and intangible assets impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [Heavy rains, storms, etc].

1.5.6 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 14 - Provisions.

1.5.7 Post Retirement Benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

1.5.8 Principal versus agent relationship

Judgement has been used in assessing and categorising the nature of the respective and independent arrangements between the Municipality and Eskom as done in conjunction with and partly through the National Department of Energy.

1.6 New standards and interpretations

1.6.1 Standards and interpretations approved but not yet effective
The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 April 2020 or later periods:

.GRAP 25 Employee benefits

The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. This Standard requires an entity to recognise:
(a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
(b) an expense when the entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

Summary of Significant Accounting Policies

. New standards and interpretations (continued)

GRAP 104 Financial instruments

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.

1.7 Investment property

1.7.1 Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under an operating lease held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

1.7.2 Subsequent measurement

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment property	30-50 years

1.7.3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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

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

1.8 Property, plant and equipment

1.8.1 Initial 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 period.

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

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

Property, plant and equipment is initially measured at cost.

Summary of Significant Accounting Policies

. Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

1.8.2 Subsequent measurement

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

1.8.3 Depreciation and impairment

Property, plant and equipment is depreciated on the straight line basis over their expected useful lives of assets.

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

Item	Average useful life
Land	indefinate
Buildings	30-50 years
Infrastructure	
• Roads	10 years
• Stormwater drains	20-50 years
• Bridges	30-50 years
Community	
• Community halls	30-50 years
• Sport stadiums	20-50 years
• Community centres	30-50 years
• Landfill site	15 years

Summary of Significant Accounting Policies

. Property, plant and equipment (continued)

Other fixed assets

• Motor vehicles	5-10 years
• Office equipment	3-10 years
• Furniture and fittings	7-10 years
• Graders	10-15 years
• Tractors	10-15 years
• Tippers	10-15 years
• Other plant and machinery	5-15 years
• Air conditioners	5-7 years
• Computer hardware	5 years

The useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

1.8.4 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 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.

1.8.5 Work in progress

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

1.8.6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

1.8.7 Infrastructure assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

1.9 Intangible assets

1.9.1 Initial recognition

An intangible asset is recognised when:

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

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

Summary of Significant Accounting Policies

. Intangible assets (continued)

1.9.2 Subsequent measurement

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

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

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

1.9.3 Amortisation and impairment

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

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

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

Item	Useful life
Computer software, other	3-5 years

1.9.4 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.10 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

Summary of Significant Accounting Policies

. Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

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

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and

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

1.11 Heritage assets

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

1.11.1 Recognition

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

1.11.2 Initial measurement

Heritage assets are measured at cost.

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

1.11.3 Subsequent measurement

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

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

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

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

Heritage assets are not depreciated.

1.11.4 Impairment

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

1.11.5 Transfers

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

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

Summary of Significant Accounting Policies

. Heritage assets (continued)

1.11.6 Derecognition

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

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

1.12 Financial instruments

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

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

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

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

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

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

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

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

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

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

Summary of Significant Accounting Policies

. Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Summary of Significant Accounting Policies

. Financial instruments (continued)

1.12.1 Classification

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

Class	Category
Cash and cash equivalent	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

1.12.2 Initial recognition

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

The entity recognises financial assets using trade date accounting.

1.12.3 Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Summary of Significant Accounting Policies

. Financial instruments (continued)

1.12.4 Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

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

1.12.5 Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

. Financial instruments (continued)

1.12.6 Derecognition

1.12.6.1 Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

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

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

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

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

1.12.6.2 Financial liabilities

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

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

. Financial instruments (continued)

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

1.12.7 Presentation

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

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

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

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

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

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

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

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

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

1.13 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, 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). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance, and also disclosed in the notes to the financial statements.

1.14 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, and also disclosed in the notes to the financial statements.

Where it is not possible to recover the revenue recognised from fruitless and wasteful, the receivable is written-off following proper write off processes in terms of the MFMA.

Summary of Significant Accounting Policies

1.15 Irregular expenditure

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

1.16 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 date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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.

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

After their initial recognition contingent liabilities recognised in municipality combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

1.17 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.

Summary of Significant Accounting Policies

. Leases (continued)

1.17.1 Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.17.2 Operating leases - lessee

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

1.18 Revenue from exchange transactions

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

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 recorded number of refuse containers per property.

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

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue arising out of situations where the municipality acts as an agent on behalf of another municipality (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services. Such transactions are accounted for in accordance with the standard on principals and agents

1.18.1 Measurement

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

1.18.2 Sale of goods

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

Summary of Significant Accounting Policies

. Revenue from exchange transactions (continued)

1.18.3 Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.18.4 Interest

Revenue arising from the use by others of entity assets yielding interest 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.

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

1.19 Revenue from non-exchange transactions

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

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

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

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

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

Summary of Significant Accounting Policies

. Revenue from non-exchange transactions (continued)

1.19.1 Recognition

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

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

1.19.2 Measurement

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

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

1.19.3 Taxes

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

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

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

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

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

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

1.19.4 Transfers

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

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

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

1.19.5 Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Summary of Significant Accounting Policies

. Revenue from non-exchange transactions (continued)

1.19.6 Fines

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

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

1.19.7 Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

1.19.8 Gifts and donations, including goods in-kind

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

1.19.9 Services in-kind

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

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

Services in-kind are not recognised.

1.20 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.21 Investment income

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

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

1.22 Borrowing costs

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

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

1.23 Employee benefits

1.23.1 Short-term employee 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 are not discounted.

The expected cost of compansated absences is recognised s an expense as the employee render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Summary of Significant Accounting Policies

. Employee benefits (continued)

The expected costs of surplus sharing and bonus payments is recognised as expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.23.2 Retirement benefits

Whilst employees and councillors are employed by the municipality, the municipality contributes to their medical and pension funds. On termination, resignation or retirement of employees and councillors the municipality no longer contributes to the medical and pension funds on their behalf and thus there are no post- employment benefits.

1.23.3 Long service awards

Provision for long services awards represents the present value of the estimated future cash outflow to be made by the municipality resulting from employee services provided up to Statement of Financial Position date. The provision comprises of amounts that the Municipality has a present obligation to pay resulting for employees services provided up to Statement of Financial Position date. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities.

The leave may wholly or partially converted into cash and or sick leave on the date on which the employees qualifies therefore or at any stages. On termination of service of an employee with ten (10) or more year's service, for reason of retirement, death, medical incapacity or retrenchment, leave shall be paid out to an employee on a pro rata basis.Any special leave accrued in this manner will become payable upon termination for whatever reason and not form part of vacation leave credit

Short-term employee 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 surplus sharing and 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. The Municipality recognises the expected cost of bonus, incentive and performance related payments when and only when: (a) it has a present legal or constructive obligation to make such payments as a result of past events, (b) a reliable estimate of the obligation can be made.

Defined contribution plans

A defined contribution plan is a post-employment pension plan under which the municipality pays fixed contributions into a separate entity (a fund). The municipality has no further payment obligations once the contributions have been paid. Accordingly, the municipality recognises the contributions to the scheme as an expense when the employees have rendered a service. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Termination benefits

Termination benefits are recognised when they accrue to employees.

Summary of Significant Accounting Policies

. Employee benefits (continued)

1.23.4 Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.24 Impairment of cash generating assets

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

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

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

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

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

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

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

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

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

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

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

Summary of Significant Accounting Policies

. Impairment of 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.

1.25 Value added tax

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

Summary of Significant Accounting Policies

1.26 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 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 the Standard of GRAP on Statutory Receivables) 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 accounting policy on Revenue from exchange transactions;
• if the transaction is a non-exchange transaction, using the accounting policy on Revenue from non-exchange transactions (Taxes and transfers); or
• if the transaction is not within the scope of the accounting 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 municipality 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 accounting policy on Revenue from exchange transactions or the accounting policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.
In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

Summary of Significant Accounting Policies

. Statutory receivables identification (continued)

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

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, t he 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 through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

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 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 municipality:
- derecognises the receivable; and
- recognises 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 municipality 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.

Recievables that would fall under statutory receivables are as follows:
- Rates
- Fines
-

Summary of Significant Accounting Policies

1.27 Housing Development Fund

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

The municipality is in possession of the interest portion of the funds that were kept by the municipality for a long time, and this interest is recorded as a reserve in municipal books, and can only be utilized in line with the conditions of Housing development funds, and upon approval from housing development.

1.28 Use of estimates

The preparation of annual annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.29 Related parties

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

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

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

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

1.30 Segmental information

The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Where applicable segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.31 Budget information

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

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

The approved budget covers the fiscal period from 7/1/2020 to 6/30/2021.

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

1.32 Commitments

A commitment is a contract that is non-cancelable or only cancelable at significant cost, to the extent that the amount has not been recorded elsewhere in the financial statements.

Capital commitments are amounts committed to acquire goods and services which are of capital in nature, i.e.; upgrading and/or construction of assets.
These commitments are disclosed in the notes to the annual financial statements.
Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.33 Events after reporting date

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

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

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

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

1.34 Payables from exchange transactions

The Municipality recognises payables from exhange transactions where liabilities result in counter performance by respective parties as a result of exchange transactions.

Payables from exchange transactions are initially measured at fair value. Where the ouflow is expected to be cash or another financial asset, the payable is classified as financial liability.

The Municipality recognises in payables an amount for accruals where an estimate is made of the amounts due for goods or services that have been received or supplied, but an invoice or formal request for payment has not been received at the reporting date.

1.35 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term liquid investments that are convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are classified as financial instruments (refer to note 2).

Summary of Significant Accounting Policies

. Events after reporting date (continued)

1.36 Accounting by Principals and Agents

An entity is an agent when in relation to transactions with third parties all three of the following criteria are present:
That the entity concerned does not have the power to determine the significant terms and conditions of the transaction;
That it does not have the ability to use all or substantially all of the resources resulting from the transactions for its own benefit; and that it is not exposed to variability in the results of the transaction.

An exception will apply where an entity has been granted specific powers in terms of legislation to direct terms and conditions of particular transactions, in such a situation it shall not consider the ‘not having the power to determine significant terms and conditions of the transaction’ criteria to conclude that it is an agent. In such situations, the entity shall apply its own judgement in determining whether such powers exist and whether they are relevant in assessing an entity as an agent.

The Municipality has an agent-principal relationship with KZN Department of Transport, and Eskom administered in conjunction with and partly through the National Department of Energy.

KZN Department of Transport as principal

The Department is responsible for registration, licensing and testing functions in terms of applicable national and provincial road traffic legislation.
The Department, to provide greater access to clients throughout the Province, transfers specified registration, licensing and testing functions to appropriately identified agents, which act as agents for the Department to process these functions.
The Department and the Umzimkhulu Municipality entered into an agreement for the transfer of registration and licensing of motor vehicle and learners license testing functions.

ESKOM as the Principal

With respect to the Eskom principal / agency relationship the Municipality receives a conditional electrification grant from the National Department of Energy, the purpose of which is to address the electrification backlog of permanently occupied residential dwellings entailing the installation and rehabilitation of the electricity bulk infrastructure. The foregoing ‘works’ on infrastructure are done on behalf of and for the benefit of Eskom. In terms of the existing memorandum of understanding, Eskom approves the design and the construction / rehabilitation of each bulk infrastructure project embarked upon; with a final approval sign-off on project completion prior to the permanent transfer of the project on completion. There were no changes to the foregoing significant terms and conditions of the arrangement during the reporting period.

The foregoing arrangements have been accounted for in terms of the standard on accounting by principals and agents, wherein the Municipality is an agent and two parties referred to above are unrelated and independent principals. Practically, these arrangements have each been accounted for in terms of fund accounting; whereby the funds received are recognised as an effective liability in terms of fund accounting; and upon utilisation of the fund for the intended purposes in the manner described above, the respective fund is reduced by the total approved and compliant expenditure. Accordingly, at any reporting date, each respective fund represents the unexpended portion of the respective designated funds received from the respective principals inclusive of interest received, where expressly stipulated. Each of the funds are duly backed by the matching investment bank accounts at the reporting date. The nature and the identity of conditional capital grant received from the National Department of Energy, has been overridden by the principles of the principal / agent relationship amongst the parties involved and thus accounted for in terms of fund accounting.

There were resources that were duly recognised in the Municipality’s financial statements yet held on the principal’s behalf. The only risks transferred from the respective principals to the Municipality are ‘custody and potential workmanship error’ risk on the development and selling of housing schemes as well respective construction and rehabilitation activities vis-à-vis the bulk electricity infrastructure during the construction and rehabilitation phase.

Figures in Rands	2021	2020

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	5,245,044	1,634,246
Cash on hand	4,553	1,759
Short-term deposits	205,234,048	244,548,252
	210,483,645	**246,184,257**

The municipality's primary bank account is a public sector cheque account with First National Bank. The account is held at the iIxopo branch and the account number is 5255 573 0913.

Primary bank account details

Account number / description	**Bank statement balances**		**Cash book balances**	
	30 June, 2021	**June 30, 2020**	**30 June, 2021**	**June 30, 2020**
FNB- cheque account -52555730913	2,061,754	1,573,583	5,245,044	1,634,246
MIG grant- FNB- 62123938055	5,833,983	32,970,453	5,833,983	28,491,775
Neighbourhood grant-FNB-62174358525	3,160,813	3,100,862	3,160,813	3,100,862
Electricity- NFB-62174363508	261,861	9,897,500	261,861	9,897,500
Rietvlei/Cly surv account-FNB- 62123938104	1,044,072	1,024,192	-	-
32 Days acc-FNB- 62132172355	140,820,058	90,947,403	136,949,205	88,035,518
Human settlement housing operating acc- 62396633838	21,532,124	24,288,111	21,650,398	24,840,303
Smalltown dev-FNB- 62396640396	233,441	228,966	233,441	228,966
Sport grant- FNB-62814621901	6,719,846	16,617,657	6,719,845	16,617,657
Nedbank- 37165022759/05	-	42,506,995	-	42,506,995
Nedbank- 37165022759/2	-	30,828,678	-	30,828,678
Nedbank- 03/7165022759	30,424,501	-	30,424,501	-
Total	**212,092,453**	**253,984,400**	**210,479,091**	**246,182,500**

According to MSCOA chart version 6.1 item assets segment only allows for 10 bank accounts to be added on the system, however on the bank the accounts are separate, there is only 1 account (Rietvlei/ Cly surv account) that has been combined with Housing account on the MUNSOFT system.

3. Receivables from exchange transactions

Prepayments	2,392,573	3,330,224
Operating lease receivables	15,670	43,486
Consumer debtors - Other Rentals	163,576	188,326
Consumer debtors - Refuse	393,913	421,313
	2,965,732	**3,983,349**

Refuse		
Gross balance	6,537,019	5,435,541
Less: allowance for impairment	(6,143,104)	(5,014,228)
Net balances	**393,915**	**421,313**

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

3. Receivables from exchange transactions (continued)

Refuse Residential		
Current (0-30 days)	332,778	189,619
31-60 days	161,823	177,936
61-90 days	179,713	166,697
91-120 days	175,703	164,401
121-365 days	5,474,351	4,551,723
	6,324,368	5,250,377
Less: allowance for impairment	(6,104,784)	(5,014,228)
	219,584	**236,149**

Refuse commercial		
Current (0-30 days)	24,550	21,778
31-60 days	5,271	3,796
61-90 days	5,360	4,032
91-120 days	4,624	4,273
121-365 days	67,833	8,028
	107,638	41,908
Less: allowance for impairment	(38,320)	-
	69,318	**41,908**

Refuse state owned		
Current (0-30 days)	591	219
31-60 days	300	219
61-90 days	336	219
91-120 days	337	219
121-365 days	8,937	4,570
	10,501	5,446
Less: allowance for impairment	-	-
	10,501	**5,446**

Dumping refuse		
Current (0-30 days)	68,027	53,875
31-60 days	-	52,650
61-90 days	-	4,800
	68,027	**111,325**

Skip waste refuse		
Current (0-30 days)	17,855	21,289
31-60 days	4,786	2,075
61-90 days	1,362	1,336
91-120 days	1,348	1,365
121-365 days	1,134	-
	26,485	**26,065**

Rentals		
Current (0-30 days)	84,880	104,377
31-60 days	19,026	21,422
61-90 days	9,636	9,043
91-120 days	6,914	7,574
121-365 days	43,119	45,909
	163,575	**188,325**

Figures in Rands	2021	2020

4. Receivables from non-exchange transactions(Statutory receivables)

Gross Debtors

Fines	1,162,469	1,051,839
Property Rates	7,290,354	4,929,335
	8,452,823	**5,981,174**

Impairment		
Fines impairment	(1,001,542)	(901,503)
Property rates impairment	(2,704,027)	(2,226,837)
	(3,705,569)	**(3,128,340)**

Net debtors		
Fines	160,926	150,336
Property Rates	4,586,328	2,702,498
	4,747,254	**2,852,834**

Statutory receivables included in receivables from non-exchange transactions are as follows, on a gross basis:		
Fines	1,162,469	1,051,839
Property rates- Business and Commercial	765,736	701,030
Property rates- Residential	2,222,645	1,925,897
Property rates- Municipal	438,253	307,042
Property rates- State owned properties	3,617,803	1,771,447
Property rates- Industrial	50,888	52,321
Property rates- Vacant land	195,029	171,599
	8,452,823	**5,981,175**

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

4. Receivables from non-exchange transactions(Statutory receivables) (continued)

Traffic fines are issued to offenders in terms of Section 334 of Criminal Procedures Act 51, of 1997, road traffic fines is section 56 and parking fines is section 341, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in tems of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Property rates are levied in terms of section 7 to section 15 of the Municipal Property Rates Act of No.6 of 2004. Property rates are levied as per the tariffs approved by municipal Council using the gazetted General Valuation Roll and levied on a monthly basis for consumers except for government properties that are levied annually. Interest on overdue accounts are not charged in terms of Property Rates Policy. The amount levied is determined by applying the Market Value by approved tariffs in different categories and less Rebates offered by the municipality. The basis used to assess and test whether a statutory receivable is impaired, the municipality considers (Residential) debtors owing more than 90 days with no payment, the whole debt will be provided for and debtors with few payments only debt over 90 days will be provided for. Business properties we do not provide for businesses that have made payment during the financial year and also for business that are owing more than90 days, only amounts more than90 days are provided for. Government properties we do not provide for and Lease agreements we do not provide for. Receivables are grouped and assessed for collective impairment as per Mscoa segments. The discount rate varies as per consumer categories and ranges from 25% to 40%. The determination arises on the debt analysis of the consumers due number of days outstanding on the age analysis.

The basis of impairment takes into account the following:
The estimate were determined in accordance with the debt impairment policy of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt.
In assessing whether statutory receivables are impaired, management considered both individually receivables that may be impaired as well as groups of similar receivables that may be impaired.
The total debtors were further separated into groups of similar receivables with similar risk profiles and assessed for impairment.

Figures in Rands	2021	2020

4. Receivables from non-exchange transactions(Statutory receivables) (continued)

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

Fines	(1,001,542)	(901,503)
Property rates- Business and Commercial	(282,119)	(267,995)
Property rates- Residential	(1,900,771)	(1,656,731)
Property rates- Municipal	(320,655)	(295,760)
Property rates- Industrial	(6,351)	(6,351)
Property rates- Vacant land	(194,130)	-
	(3,705,568)	**(3,128,340)**

The basis of impairment takes into account the following:

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

In assessing whether statutory receivables are impaired, management considered both individually receivables that may be impaired as well as groups of similar receivables that may be impaired
.
The total debtors were further separated into groups of similar receivables with similar risk profiles and assessed for impairment.

Statutory receivables included in receivables form non- exchange transactions above are as follows, net for impairment

Traffic Fines	160,926	150,336
Property rates- Business and Commercial	483,617	433,035
Property rates- Residential	321,873	269,166
Property rates- Municipal	117,598	11,282
Property rates- State owned properties	3,617,803	1,771,447
Property rates- Industrial	44,537	45,970
Property rates- Vacant land	900	171,599
	4,747,254	**2,852,835**

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

As of 30 June 2021, statutory there were receivables were considered to be past due and not impaired. This was dertemined by taking into account the debt that is outstanding for a period of more than 30-120 days which have not been subjected to impairment, this is done in line with our impairment methodology:

Fines	134,676	101,236
Property rates	4,586,099	2,484,952
	4,720,775	**2,586,188**

Summary of aging of debtors

Traffic fines

Currrent (0-30 days)	26,250	49,100
31-60 days	35,200	19,250
61-90 days	43,200	54,350
91-120 days	40,300	28,750
121 days and over	1,017,519	900,389
	1,162,469	**1,051,839**

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

4. Receivables from non-exchange transactions(Statutory receivables) (continued)

Property Rates		
Currrent (0-30 days)	544,216	367,883
31-60 days	132,508	164,266
61-90 days	123,741	141,855
91-120 days	113,941	136,683
121 days and over	6,375,948	4,118,480
	7,290,354	**4,929,167**

5. VAT receivable (Statutory receivables)

VAT	5,955,853	3,213,286

Vat is imposed as per Value Added Tax Act 89 of 1991, section 7 (3) *(a)* Where any goods manufactured in the Republic, being of a class or kind subject to excise duty or environmental levy under Part 2 or 3 of Schedule 1 to the Customs and Excise Act, have been supplied at a price which does not include such excise duty or environmental levy and tax has become payable in respect of the supply in terms of subsection (1) *(a)*, value-added tax shall be levied and paid at the rate of 15 per cent for the benefit of the National Revenue.

Fund on an amount equal to the amount of such excise duty or environmental levy which, subject to any rebate of such excise duty or environmental levy under the said Act, is paid.

The amount is determined by subtracting Vat Payable from Vat Receivable.

6. Investment property

	2021			2020		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	31,802,115	(723,706)	31,078,409	31,802,115	(693,698)	31,108,417

Reconciliation of investment property - June 2021

	Opening balance	**Depreciation**	**Total**
Investment property	31,108,417	(30,008)	31,078,409

Reconciliation of investment property - June 2020

	Opening balance	**Disposals**	**Depreciation**	**Total**
Investment property	31,139,309	(740)	(30,152)	31,108,417

6.1 Rental Income from Investment Property

Direct income from rentals	1,293,600	917,208

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

6. Investment property (continued)

6.2 Details of property

Property 1
Erven 229, 735 and 736
Duration : 50 years
Termination date : 18 June 2046
The Rhino centre has 10% of the net rental and 2% is payable to the municipality, which is calculated on the turnover.

	2021	2020
- Purchase price: 1 July 1996	5,300,000	5,300,000

Property 2
Erven 231 and 232
Duration : 50 years
Termination date : 30 November 2061
Rental income is R148 620 per annum. The rental shall escalate by an amount equivalent to the CPI index every year.

	2021	2020
- Purchase price: 1 December 2011	904,992	904,992
- Accumulated depreciation	(723,706)	(693,698)
	181,286	**211,294**

Municipal Vacant Land
Erven 152

	2021	2020
- Purchase price: 1 December 1997	13,136,123	13,136,123
- Additions since purchase or valuation	2,461,000	2,461,000
	15,597,123	**15,597,123**

Property 4
Erven 155
Duration: 50 years
Termination: 31 December 2062
Rental income is R285 952 per annum. The rental shall escalate by an amount equivalent to CPI index every year, but this escalation shall never be less than 4% nor be greater than 8% per annum.

	2021	2020
- Purchase price: 1 January 2013	10,000,000	10,000,000

	2021	2020
- Land- Shopping complex	5,300,000	5,300,000
- Building- Hotel and housing	181,286	211,294
- Municipal vacant properties	15,597,123	15,597,123
- Land- Umzimkhulu mall	10,000,000	10,000,000
Total Investment property	**31,078,409**	**31,108,417**

There were no repairs and maintainance on the investement property in this financial year.

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

Notes to the Annual Financial Statements

Figures in Rands

7. Property, plant and equipment

	2021			2020		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	9,409,000	-	9,409,000	9,409,000	-	9,409,000
Buildings	51,295,659	(17,020,717)	34,274,942	49,756,319	(15,844,045)	33,912,274
Infrastructure Assets	507,355,827	(303,337,766)	204,018,061	475,067,208	(279,649,081)	195,418,127
Community Assets	266,266,655	(43,505,847)	222,760,808	218,849,131	(30,894,056)	187,955,075
Other Fixed Assets	68,565,003	(31,525,690)	37,039,313	57,250,735	(28,144,041)	29,106,694
Total	**902,892,144**	**(395,390,020)**	**507,502,124**	**810,332,393**	**(354,531,223)**	**455,801,170**

Notes to the Annual Financial Statements

Figures in Rands

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2021

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	9,409,000	-	-	-	-	9,409,000
Buildings	33,912,274	1,539,340	-	(1,176,672)	-	34,274,942
Infrastructure Assets	195,418,127	32,594,715	-	(24,071,760)	76,979	204,018,061
Community Assets	187,955,075	56,058,637	-	(6,463,030)	(14,789,874)	222,760,808
Other fixed assets	29,106,694	13,924,104	(72,245)	(5,919,240)	-	37,039,313
	455,801,170	**104,116,796**	**(72,245)**	**(37,630,702)**	**(14,712,895)**	**507,502,124**

The opening balances on the above reconcilliation were restated
Reconcilliation of opening balances for 2021.

Reconcilliation of opening balances

	Opening balance as previously reported	Reclassification	Adjustment correction of prior period error	Re-stated opening balance
Land	9,409,000	-	-	9,409,000
Buildings	32,638,274	-	1,274,000	33,912,274
Infrastructure assets	192,617,074	2,828,412	(27,359)	195,418,127
Community Assets	179,473,825	(2,828,412)	11,309,662	187,955,075
Other fixed assets	29,106,694	-	-	29,106,694
	443,244,867	**-**	**12,556,303**	**455,801,170**

Notes to the Annual Financial Statements

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2020

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	9,409,000	-	-	-	-	9,409,000
Buildings	33,281,711	1,771,109	-	(1,140,546)	-	33,912,274
Infrastructure Assets	203,049,084	16,180,902	-	(22,814,045)	(997,814)	195,418,127
Community Assets	163,272,270	31,269,103	-	(5,212,221)	(1,374,077)	187,955,075
Other fixed assets	30,827,145	5,406,049	(896,375)	(6,230,125)	-	29,106,694
	439,839,210	**54,627,163**	**(896,375)**	**(35,396,937)**	**(2,371,891)**	**455,801,170**

Pledged as security

There are no assets pleadged as security.

Depreciation rates

Item	**Depreciation method**
Buildings	Straight line
Plant and machinery	Straight line
Furniture and fixtures	Straight line
Motor vehicles	Straight line
Office equipment	Straight line
IT equipment	Straight line
Computer software	Straight line
Infrastructure	Straight line
Community	Straight line
Other fixed assets	Straight line

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

7. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	6,123,275	49,732,933	238,680	56,094,888
Re-classification	2,559,247	(2,828,412)	1,274,000	1,004,835
Additions/capital expenditure	32,594,712	55,633,165	1,521,139	89,749,016
Capitalised during the year	(17,216,084)	(44,151,980)	(1,475,139)	(62,843,203)
Impairment	(45,247)	(3,725,923)	-	(3,771,170)
	24,015,903	**54,659,783**	**1,558,680**	**80,234,366**

Other information

	2021	2020
Included in property, plant and equipment are property that have been identified as taking significantly longer period of time to complete than expected, due to the following:		
WIP- Memorial hall	32,719,016	18,295,523
WIP- Ward 13 sports field	-	5,528,973
	32,719,016	**23,824,496**

WIP Memorial Hall: The reasons for delays in WIP Memorial Hall: The construction of the Memorial hall was delayed by the covid 19 cases and unrest , and is expected to be completed in 28 March 2022.

7. Property, plant and equipment (continued)

Repairs and Maintainance

Repairs and maintenance incurred to maintain property, plant and equipment is represented as follows:	2021	2020
Buildings	314,385	1,675,021
Infrastructure	7,066,624	5,091,870
Community assets	374,877	221,403
Repairs on other PPE	3,244,468	2,780,431
	11,000,354	**9,768,725**

There are no items of PPE that are pleadged as security
Contracted committments for PPE are shown in note36
Carrying amounts for PPE items approximate fair values

The total for this note showing Repairs and Miantenance will not be the same as the amount in the face of the statement of performance since there, the expenditure is classified according to their nature, but since we have our own plan machinery this note allows us to actually show other expenses incured in repairing and maintaining our assets.

8. Intangible assets

	2021			2020		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	2,453,971	(1,659,368)	794,603	1,833,740	(1,138,826)	694,914

Reconciliation of intangible assets - June 2021

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	694,914	775,103	(3)	(675,411)	794,603

Reconciliation of intangible assets - June 2020

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	844,142	277,356	(3)	(426,581)	694,914

9. Heritage assets

	2021			2020		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Heritage assets under construction/development	432,000	-	432,000	432,000	-	432,000

Reconciliation of heritage assets- June 2021

Figures in Rands	2021	2020

9. Heritage assets (continued)

	Opening balance	Total
Heritage assets under construction/development	432,000	432,000

Reconciliation of heritage assets- June 2020

	Opening balance	Impairment losses recognised	Total
Heritage assets under construction/development	255,000	177,000	432,000

	2021	2020
Included in heritage assets are assets that have been identified as taking significantly longer period of time to complete than expected, due to the following:		
Heritage assets under construction/ major rennovations	255,000	255,000

The reasons for delays in WIP Memorial Hall: The construction of the Memorial hall was put on hold due to investigations on allegations however the investigation has been concluded, since then the project has resumed, and is expected to be completed in october 2021

There was no repairs and maintenance expenditure incurred on Heritage assets that took place in the current financial year.

10. Payables from exchange transactions

	2021	2020
Payments received in advance	884,647	568,021
Accrued leave pay	5,744,826	5,068,109
Creditors accruals	2,178,312	1,146,711
Deposits received	329,089	326,309
Retention	8,065,591	7,081,430
Creditors	5,996	-
Provision for Planning studies	-	3,657,396
	17,208,461	**17,847,976**

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2021	2020
Unspent conditional grants and receipts		
Sports Grant	3,648,001	13,544,012
MIG Grant	-	24,092,371
Development planning title deeds	1,465,270	965,270
Disaster relief (Covid 19 Grant)	-	442,827
	5,113,271	**39,044,480**

12. Unspent Agent funds

	2021	2020
Electrification Fund	-	12,016,561

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

12. Unspent Agent funds (continued)

Electrification Fund		
Opening balance	12,016,561	-
Current- year receipts	6,000,000	13,000,000
Conditions met	(18,016,561)	(983,439)
	-	**12,016,561**

Electrification grant funds received: The municipality is operating as an agent on behalf of Eskom.

13. Employee benefit obligations

Long service awards

Current service cost	3,490,592	2,332,984
Past service cost	433,927	320,712
Interest cost	322,135	166,474
Actuarial (gains) losses	1,805,864	978,650
Expected return on plan assets	(422,268)	(308,228)
	5,630,250	**3,490,592**

Employees who achieve 5 years of service are granted 5 days paid leave, whilst employees who achieve 10 years of service are granted 10 days paid leave. Employees who achieve 15 years of service are granted 20 days paid leave. Employees who achieve 20 years of service are granted 30 days paid leave. Employees who achieve 20/25/30/35/40 and 45 years of service are granted 30 days paid leave. The abovementioned leave is only applicable to those employees who achieve the stated years of services after the effective date of these conditions. The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2021. It has been assumed that the staff turnover will be insignificant based on historical data. A discount rate of 8.90% (2020 : 9.40%) was used on internal rate of return.

in dertemining the provision for Long service awards the municipality utilized the services of indipendant actuarials.

Split between short term and long term portion of obligation

Actuarial (gains) losses – Obligation	700,457	127,239
Actuarial (gains) losses – Plan assets	4,929,793	3,363,353
Total accrued liability	**5,630,250**	**3,490,592**

Key assumptions used

The financial and demographic assumptions used in the valuation are as follows:

Discount rates used	8.90 %	9.40 %
Expected rate of return on reimbursement rights	5.68 %	4.73 %
Expected increase in salaries	6.68 %	5.73 %
Proportion of employees opting for early retirement	2.15 %	3.47 %

The mortality rate of an individual is assumed to be 85-90.

The normal retirement age is assumed to be 65 years.

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

14. Provisions

Reconciliation of provisions - June 2021

	Opening Balance	Additions	Total
Landfill site provision	4,488,216	81,870	4,570,086

Reconciliation of provisions - June 2020

	Opening Balance	Additions	Total
Landfill site provision	4,202,863	285,353	4,488,216

Landfill site

The environment compliance audit on the landfill site was conducted by Beyond green environmental services PTY(LTD)
.
BGES Pty Ltd undertook an assessment and produced an audit report, which indicated that the lifespan of the landfill site is three (3) months. Despite the lifespan being limited to 3 months, recommendations were provided as means to prolong the lifespan of the landfill site operation. The recommendations were proposed as an interim measure while the municipality is preparing for decommissioning process and reallocating to the new site.

15. Housing operating account

Human Settlement Housing Development Fund

	2021	2020
Opening balance	24,840,304	23,586,446
Transfer in/out	(3,657,397)	-
Current year interest	467,492	1,253,858
	21,650,399	**24,840,304**

Figures in Rands	2021	2020

16. Accumulated surplus

Reconciliation of accumulated surplus- June 2021

	Opening balance	Surplus for the year	Prior period adjustments	Adjustment during the year	Total
Opening balance	642,542,102	93,966,800	-	3,657,397	740,166,299

Reconciliation of accumulated surplus- June 2020

	Opening balance	Adjustments during the year	Surplus for the year	Total
Opening balance	585,508,420	14,037,400	42,996,282	642,542,102

17. Interest received - investment

	2021	2020
Interest revenue		
Bank	131,827	352,823
Short term investments	8,582,777	12,675,163
	8,714,604	**13,027,986**

18. Investment Property Rentals

	2021	2020
Premises		
Facilities and Buildings	482,045	585,832
Rentals on Municipal Land	813,054	818,199
	1,295,099	**1,404,031**

19. Agency services

	2021	2020
Learners and licenses	812,027	409,490
Vehicle Registration	670,611	421,773
	1,482,638	**831,263**

20. Fines, Penalties and Forfeits

	2021	2020
Traffic fines	490,550	489,500
Pound fees	249,250	261,335
Overdue books fine	8,605	1,620
	748,405	**752,455**

21. Service charges

	2021	2020
Solid waste	138,826	133,983
Waste disposal	846,629	798,854
Refuse removal	1,905,399	1,759,274
	2,890,854	**2,692,111**

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

22. Other revenue

Tender income	218,523	287,865
Clearance certificates	2,300	6,409
Cemetry fees	12,021	7,237
Hall fees	17,781	58,100
Copyright/ royalty	52,040	48,257
Seta fund	135,127	201,010
Isurance refund	622,216	66,944
PDA applications for land usage	44,717	7,952
Advertising income	42,292	61,697
Building plans and servitudes	55,501	41,230
Staff recoveries	1,500	-
PDA application for MAP	252	1,513
Proceeds on Disposals	-	73,028
Over banking	124	145
	1,204,394	**861,387**

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

23. Property rates

Rates raised

Residential	1,842,659	1,690,169
Commercial	4,094,125	4,144,890
State	5,652,265	5,874,699
Municipal	367,142	314,067
Industrial	3,100	3,100
Vacant	86,859	92,945
Less: rebates	(2,562,288)	(2,299,425)
	9,483,862	**9,820,445**

Valuations

Residential	327,835,000	342,143,800
Commercial	263,814,000	270,101,000
State	17,271,000	2,100,000
Municipal	153,527,000	170,614,000
Small holdings and agriculture	120,810,000	235,526,190
Industrial	3,179,000	3,179,000
Place of worship	12,854,000	12,854,000
Agriculture	706,220,000	764,552,500
Public service infrastructure	12,449,000	12,778,000
Communal property	2,066,000	2,365,780
Vacant land	20,987,000	19,851,200
Public service purposes	617,715,000	689,662,900
	2,258,727,000	**2,525,728,370**

Description	Number of properties	Tariffs
Agriculture	446	0.0022
Agricultural smallholding	216	0.0022
Commercial	64	0.0135
Communal properties	4	0.0021
Industrial	2	0.0022
Municipal	757	0,0088
Public service infrastructure	78	0.0088
Residential	2,577	0.0088
Public service purpose	176	0.0088
Vacant land	613	0.017, 0.022
State owned	11	0.0088
Place of worship	13	0.0088
	4,957	

As per the amended MPRA valuations on land and buildings are performed every 5 years. The new general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Different rate randage are charged for the various categories of ratepayers. No additional rebates were granted to any categories of ratepayers except for any exemptions and compulsory phasing-in of certain rates as contained in Council's approved Rates Policy.

Old age pensioners were granted 100% subsidy as categorised as indigents and pensioners over 65 years were granted 25% rebate as per Council’s approved Rates policy.State properties were granted a 10% rebate and Public Service infrastructures were granted 30% rebate as per Council’s approved policy. Rates are levied monthly in 12 equal instalments payable on a monthly basis. Interest is charged at 15.5% on the outstanding balance of service charges, 60% rebate granted for commercial properties as per Council approval.

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

24. Government grants and subsidies

Operating grants		
Equitable share	241,483,000	189,217,000
FMG Grant	1,900,000	1,900,000
Arts and Culture- Library	1,816,000	1,714,000
Expanded Public Works Program	3,009,001	2,352,000
Development planning tittle deeds	-	203,143
Disaster relief (Covid 19 Grant)	442,827	302,173
EDTEA Grant	-	100,000
	248,650,828	**195,788,316**

Capital grants		
MIG Grant	65,074,371	40,718,560
Sports Grant	13,544,011	2,542,316
Building plans management system	-	152,079
	78,618,382	**43,412,955**
	327,269,210	**239,201,271**

Equitable Share

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

There was an amount of R39 408 000 that the municipality received as addition to equitable share that is for Covid 19. This amounts is not a grant, but it is an addition to Equitable share.

The Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) on 30 March 2020 to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster. To respond to the COVID-19 pandemic, municipalities may be required to expand their scope of basic services and free basic services to respond directly to the socio-economic impacts of the pandemic and prevent the transmission of communicable diseases.

The table bellow shows the unspent on this:

Covid-19 Equitable share		
Current- year receipts	39,408,000	-
Conditions met	(2,973,018)	-
	36,434,982	**-**

Development planning tittle deeds

Balance unspent at beginning of year	965,270	696,413
Current-year receipts	500,000	472,000
Conditions met - transferred to revenue	-	(203,143)
	1,465,270	**965,270**

Notes to the Annual Financial Statements

24. Government grants and subsidies (continued)

Withheld/delayed grant : None.

Reason(s) for conditions not met : None.

Reason(s) for unspent grant : The municipality initiated a Public Notice to call forward all the missing beneficiaries in June 2019 and has a number of beneficiaries who have not presented themselves to the municipality as means of confirming their existence. The municipality has further formed a Dispute Resolution Committee which has so far sat once on the Month of March 2020.

Due to the National Lockdown, the municipality has been constrained to perform further duties pertaining to the programme and therefore, has not been able to carry out any fiscal expenditure in this regard. Taking cognisance of the subtle nature of the remaining work which requires full support from all committee representatives as well as presence of public and/or disputants, this has called for a temporary stalling of the programme until such a time as when lockdown regulations have been uplifted and all participants of the programme are officially able to render their services to the utmost degree to successfully accomplish the set targets.

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

24. Government grants and subsidies (continued)

Finance Management Grant

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

The purpose of this grant is to promote sound financial management

Withheld/delayed grant : None.

Reason(s) for conditions not met : None.

Reason(s) for unspent grant : None.

Arts and Culture Grant

Current-year receipts	1,816,000	1,714,000
Conditions met - transferred to revenue	(1,816,000)	(1,714,000)
	-	-

The purpose of this grant is to fund the salaries for the Librarians.

Withheld/delayed grant : None.

Reason(s) for conditions not met : None.

Reason(s) for unspent grant : None.

Municipal Infrastructure Grant

Balance unspent at beginning of year	24,092,371	9,437,931
Current-year receipts	42,568,191	55,373,000
Conditions met - transferred to revenue	(65,074,371)	(40,718,560)
Prior year unspent paid back to Treasury	(1,586,191)	-
	-	**24,092,371**

The purpose for this grant is for infrastructure development.

Withheld/delayed grant : None.

Reason(s) for conditions not met : .

Reason(s) for unspent grant :

Sports Grant

Balance unspent at beginning of year	13,544,012	7,843,328
Current-year receipts	3,648,001	8,243,000
Conditions met - transferred to revenue	(13,544,012)	(2,542,316)
	3,648,001	**13,544,012**

Conditions still to be met - remain liabilities (see note 11).

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

24. Government grants and subsidies (continued)

Reason(s) for conditions not met : None.

Reason(s) for unspent grant : The municipality spent all the amount that was approved as roll over, however that amount of R3 648 001 is for 2021/2022 but was received before the end of the financial year.

Building plan management system grant

	2021	2020
Balance unspent at beginning of year	-	152,079
Conditions met - transferred to revenue	-	(152,079)
	-	**-**

Conditions still to be met - remain liabilities (see note 11).

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

EDTEA Grant

	2021	2020
Balance unspent at beginning of year	-	100,000
Conditions met - transferred to revenue	-	(100,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 11).

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Expanded Public Works Programme

	2021	2020
Current-year receipts	3,009,000	2,352,000
Conditions met - transferred to revenue	(3,009,000)	(2,352,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 11).

The purpose of this grant is to reduce peverty and unemployemnt.

Disaster relief (Covid 19)

	2021	2020
Balance unspent at beginning of year	442,827	-
Current-year receipts	-	745,000
Conditions met - transferred to revenue	(442,827)	(302,173)
	-	**442,827**

Conditions still to be met - remain liabilities (see note 11).

Reason(s) for conditions not met : None.

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

25. Revenue

Fines, penulties and forfeits	748,405	752,455
Service charges	2,890,854	2,692,111
Rental of facilities and equipment	1,295,099	1,404,031
Interest received (trading)	409,174	457,152
Agency services	1,482,638	831,263
Licences and permits	70,873	88,571
Impairment loss reversal	-	177,000
Other revenue	1,204,394	861,387
Interest received - investment	8,714,604	13,027,986
Property rates	9,483,862	9,820,445
Government grants & subsidies	327,269,210	239,201,271
Public contributions and donations	-	11,468,004
	353,569,113	**280,781,676**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Fines, penulties and forfeits	748,405	752,455
Service charges	2,890,854	2,692,111
Rental of facilities and equipment	1,295,099	1,404,031
Interest received (trading)	409,174	457,152
Agency services	1,482,638	831,263
Licences and permits	70,873	88,571
Impairment loss reversal	-	177,000
Other Revenue	1,204,394	861,387
Interest received - investment	8,714,604	13,027,986
	16,816,041	**20,291,956**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	9,483,862	9,820,445
Transfer revenue		
Government grants & subsidies	327,269,210	239,201,271
Public contributions and donations	-	11,468,004
	336,753,072	**260,489,720**

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

26. Employee related costs

Basic	66,591,901	63,562,503
Bonus	5,665,860	4,477,387
Medical aid - company contributions	5,707,737	4,764,876
UIF	478,921	468,255
Leave encashment	3,699,430	3,112,344
Shift and danger allowance	1,474,123	1,410,248
Bargaining council	24,899	21,203
Pension fund- municipal contributions	9,801,089	7,948,943
Travel, motor car, accommodation, subsistence and other allowances	7,589,806	7,261,414
Overtime payments	3,547,377	3,558,657
Acting allowances	214,113	180,381
Housing benefits and allowances	1,694,827	1,826,477
Actuarial gain/loss	1,805,864	978,650
Cellphone expenses	821,760	798,999
Standby Allowance	500,445	523,788
	109,618,152	**100,894,125**

Remuneration of Municipal Manager

Annual remuneration	817,625	799,067
Bonus contract	149,898	119,303
Backpay	-	30,930
Travel allowance	340,677	276,160
Contribution to UIF, medical aid and pension fund	204,406	199,766
Cellphone allowance	27,000	27,000
Subsistance allowance	-	16,007
Leave encashment	51,618	50,212
	1,591,224	**1,518,445**

Remuneration of Chief Finance Officer

Annual remuneration	716,214	716,214
Bonus contract	131,306	100,233
Travel allowance	298,422	298,416
Contribution to UIF, medical and pension funds	89,527	89,527
Cellphone allowance	27,000	27,000
Subsistance allowance	-	27,433
Housing allowance	89,527	89,526
Leave encashment	45,216	201,978
	1,397,212	**1,550,327**

Remuneration of Infrastructure and Engineering Manager

Annual remuneration	650,928	628,571
Bonus contract	119,338	93,615
Backpay	-	37,273
Travel allowance	271,224	261,905
Contribution to UIF, medical and pension funds	108,490	104,762
Cellphone allowance	27,000	27,000
Subsistance allowance	1,751	18,814
Housing allowance	54,240	43,340
Leave encashment	41,094	39,400
	1,274,065	**1,254,680**

Remuneration of Community and Social Services Manager

Annual remuneration	319,262	616,586

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

26. Employee related costs (continued)

Bonus contract	115,962	91,930
Backpay	-	36,562
Travel allowance	133,026	256,911
Contribution to UIF, medical and pension funds	79,816	154,146
Cellphone allowance	13,500	27,000
Subsistance allowance	-	20,442
Leave encashment	175,362	38,648
	836,928	**1,242,225**

Remuneration of Strategic Planning and Development Manager Heading

Annual remuneration	522,134	672,260
Bonus contract	127,633	100,122
Backpay	-	39,863
Travel allowance	217,555	280,108
Contribution to UIF, medical and pension funds	130,533	168,065
Cellphone allowance	20,250	27,000
Subsistance allowance	1,730	7,571
Leave encashment	137,653	42,139
	1,157,488	**1,337,128**

27. Remuneration of Councillors

Mayor	860,859	830,507
Deputy Mayor	688,688	664,404
Executive members	2,837,417	2,177,233
Speaker	688,688	443,674
Chief Whip	645,646	622,878
Councillors' basic allowance	5,311,704	5,902,775
Councillors' travel allowance	1,967,396	2,015,187
Councillors' pension fund contribution	1,245,576	1,278,934
Councillors' medical aid contribution	123,842	124,753
Councillors' cellphone allowances	1,693,200	1,706,800
Housing allowance	204,322	197,116
	16,267,338	**15,964,261**

Ward committee expenses

In-kind-benefits:

The Mayor has a fixed contract secretary and a driver.

The Deputy Mayor has a full time secretary (sharing the same secretary with the Mayor).

The Speaker's office has a full time secretary.

Number of employees:

The number of Councillors is 41 and 242 employees as at 30 June 2021 (June 2020 : 245).

28. Bad debts written-off

Rates and refuse	958,121	905,472

Contributions to debt impairment relates to increase in bad debt provision made to traffic fines, and rates and refuse.

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

29. Depreciation and amortisation

Property, plant and equipment	37,630,701	35,396,935
Investment property	30,008	30,152
Intangible assets	675,410	426,581
	38,336,119	**35,853,668**

30. Finance costs

Landfill site provision	(40,081)	285,353
Actuarial interest	756,062	487,186
	715,981	**772,539**

31. General expenses

External Audit fees	1,930,409	1,784,291
Advertising	2,071,568	1,184,516
Bank charges	107,542	94,603
Electricity	8,751,853	7,288,768
Equipment hire	140,705	383,085
Insurance	1,952,486	1,249,743
IT expenses	5,999,806	3,663,969
Skills development fund	864,664	791,514
Artists and performers	22,000	741,800
Motor vehicle expenses	477,606	176,982
Materials and supplies	1,906,397	1,493,737
Fuel and oil	3,515,785	3,074,296
Postage and courier	18,656	17,537
Printing and stationery	1,293,940	1,308,199
Subscriptions and membership fees	1,368,422	1,450,795
Telephone and fax	3,089,742	2,862,976
Transport	207,995	349,630
Subsistance and travelling	1,674,090	3,260,159
Assets expensed	110,965	91,490
Water	115,475	99,286
Uniform and protective closing	1,103,263	414,717
Workman's compansation	451,378	410,343
Ward committee stipent	2,689,780	2,655,000
Office Decorations	29,800	71,144
Servitutes and land survey	207,357	1,329,931
Achievements and Awards	-	145,000
Workshops and Events	347,730	761,827
Travel Agency and Visa	30,483	124,362
Learnershiops and Internships	314,000	380,000
Bursaries (Employees)	-	723,060
Archieves	32,752	23,556
	40,826,649	**38,406,316**

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

32. Contracted services

Consultants fees	4,457,578	1,973,711
Security services	7,677,306	8,071,459
Catering services	3,810,906	1,053,098
Repairs and maintenance	11,000,354	9,768,722
Audio and visuals	446,600	604,250
Litter picking and street cleaning	878,127	500,783
Accounting and auditing	737,427	632,816
Legal advice and litigation	1,185,458	455,969
Subject Matter Training	952,370	147,542
Administrative and support staff	26,000	218,600
Animal care	77,511	-
Burial services	19,270	-
Occupational Health and Safety	459,498	25,826
Business and advisory	296,368	107,500
Qualification verification	42,245	25,400
Research and advisory	365,000	402,469
Personnel and labour (Casuals)	1,239,290	880,898
Commissions and Committees	16,515	26,603
Cleaning services	1,155,278	1,201,297
Fire protection	-	275,904
	34,843,101	**26,372,847**

33. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Operating lease charges
Equipment

• Contractual amounts	476,092	451,470

Loss on sale of financial instruments - at fair value	(14,712,896)	(2,371,891)
Gain on sale of financial instruments - at cost	2,040,166	2,124,272
Amortisation on intangible assets	675,410	426,581
Depreciation on property, plant and equipment	37,630,701	35,396,935
Depreciation on investment property	30,008	30,152
Employee costs	125,885,490	116,858,386

Figures in Rands	2021	2020

34. Cash generated from operations

Surplus	93,966,800	42,996,282
Adjustments for:		
Depreciation and amortisation	38,336,119	35,853,668
Loss on Dispoals of assets	16,753,062	4,496,163
Finance costs	715,981	772,539
Bad debts written-off	958,121	905,472
Finance income	-	(490,420)
Other non-cash items	(377,226)	(3,513,383)
Changes in working capital:		
Receivables from exchange transactions	1,017,617	250,174
Receivables from non-exchange transactions	(1,894,420)	273,942
Payables from exchange transactions	(639,519)	(1,210,335)
VAT	-	1,623,936
Unspent conditional grants and receipts	(33,931,209)	20,814,729
Unspent agent funds	(12,016,561)	13,000,000
Housing development and electrification fund proceeds paid	(3,657,397)	(983,439)
Movement in provision	(40,081)	-
	99,191,287	**114,789,328**

35. Contingent liabilities

Legal claims

Various claims submitted to the municipality are in the process of being resolved.
Should the respective claimants be successful with their claims, the estimated Municipal liability on such claims, is disclosed below'.

Legal disputes relate to:

Invasion of municipal land and illegal structures	181,000	390,000
Municipal investigations and employees disputes	150,000	70,510
Contractual dispute	120,000	90,000
Review of building plan disapproval	130,208	-
Outstanding settlements	-	50,000
Opposing action for damages	-	60,000
PIE application	80,000	60,000
Business licence application	-	60,000
Interdict application	-	120,000
Evictions	-	110,000
Claim for refund	-	1,457
Action of damages	91,500	-
	752,708	**1,011,967**

The decrease on the estimated contingent liability is due to many of the previous year's litigations being resolved.

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

36. Commitments

36.1 Authorised capital expenditure

Already contracted for but not provided for		
• Buildings	207,000	-
• Community assets	48,875,509	102,513,365
• Infrastructure assets	26,590,236	9,882,709
	75,672,745	**112,396,074**

Total capital commitments		
Already contracted for but not provided for	75,672,745	112,396,074

Buildings:The Memorial hall has been re-classified into community assets, and there are not commitments .

Community: The decrease on the commitments, is due to the progress on the memorial hall and Harry Gwala Sports center, and completion of mony projects.

The amounts of commitments include VAT

36.2 Operating leases - as lessee (expense)

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

8 Photocopy Machines (Nashua): The municipality then entered into new lease agreement of 8 machines that started on 1st of June 2016, and the monthly rental is payable at the end of each month over the period of 36 months.

36.3 Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	1,636,570	1,856,919
- in second to fifth year inclusive	2,666,831	3,723,132
- later than five years	17,962,765	18,455,176
	22,266,166	**24,035,227**

The municipality leased vacant land to a property developers whom has developed uMzimkhulu Mall, Rhino Centre and Umzimkhulu Hotel. The lease agreement has a term of 50 years. The rental shall escalate by an amount equivalent to the the CPI index, rounded of to the nearest rand, which the escalation will be effective on the commencement date every year. The Rhino centre has 10% of the nett rental plus 2%payable to the municipality, which is calculated on the turnover of each site. Rentals will be recognised when the lessee is invoiced and will not be smooth over the period of the lease.

Umzimkhulu Mall and Hotel commitments have been calculated and will not perform the smoothing on a straight-line over the period of the lease.

37. Risk management

37.1 Financial risk management

The Municipality has exposure to the following risks from its use of financial instruments:

Liquidity Risk
Interest Rate Risk
Credit Risk

This note presents information about the Municipality’s exposure to each of the above risks and its objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout these financial statements.

The Council and the Municipal Manager have overall responsibility for the establishment and oversight of the Municipality’s risk management framework. The Municipality’s risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Municipality’s activities.

The Municipality through its training and management standards and procedures, aims to develop a disciplined and constructive environment in which all employees understand their roles and obligations

The Municipal Manager is of the opinion that the values reflected in the financial statements are a true reflection of fair values of both the financial assets and liabilities.

The fair value of consumer debtors is estimated to be the actual receipts expected adjusted for possibility of doubtful debt. Payables are settled within 30 days of receipt of invoice and therefore are reflected at the settlement amount.

	2021	2020
Financial Assets		
Petty cash	4,553	1,759
Bank balance	5,245,461	1,634,246
Short-term deposits	205,234,048	244,548,252
Receivables from exchange transactions	2,965,732	3,983,349
Receivables from non-exchange transactions	4,747,254	2,852,835
	218,197,048	**253,020,441**

	2021	2020
Financial Liabilities		
Payables from exchange transactions	17,208,461	17,847,976
Uspent conditional grants	5,113,271	39,044,480
Unspent agent funds	-	12,016,561
	22,321,732	**68,909,017**

37.2 Liquidity risk

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

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

	2021	2020
Payables from exchange transactions	17,208,461	17,847,976

37. Risk management (continued)

37.3 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. The Municipality's level of borrowing and consequently the debt servicing costs are closely monitored and controlled by the EXCO having regard to the prevailing and projected interest rates and the Municipality's capacity to service such debt from future earnings.

	2021	2020
Balances exposed to the interest rate risk:		
Bank balance	5,245,461	1,634,246
Short-term deposits	205,234,048	244,548,252
	210,479,509	**246,182,498**

37.4 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will default on its obligation to the Municipality, thereby causing financial loss to the Municipality. It is the Municipality's policy that all customers who wish to trade on credit terms are subject to payment of a deposit. In addition, receivable balances are monitored on an ongoing basis with the result that the Municipality's exposure to bad debts is not significant. A provision is made for doubtful debts. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

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

Financial instrument	**2021**	**2020**
Receivables from exchange transactions	2,965,732	3,983,349
Receivables from non exchange transactions	4,747,254	2,852,835
	7,712,986	6,836,184

Past due but not impaired		
Receivables from exchange past due not impaired	343,538	550,232
Receivables from non-exchange past due not impaired (government debt included)	4,242,561	2,634,569
	4,586,099	**3,184,801**

38. Fruitless and Wasteful Expenditure

There was no fruitless and wasteful expenditure in the financial year.

39. Irregular Expenditure

	2021	2020
Opening balance	13,547,387	20,882,306
Add: irregular expenditure- current year	21,385,537	4,754,031
Add: irregualr expenditure- prior year discovered this year	-	717,067
Less: Amount written-off by Council	(30,151,972)	(12,806,017)
Closing balance	**4,780,952**	**13,547,387**

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

39. Irregular Expenditure (continued)

Irregular expenditure of R4 179 952 : The municipality appointed a service provider for road construction, but the service provider had some challenges with SARS and abandoned project at a critical stage of construction and projects were exposed to the damage by the effects of non-conducive weather conditions which was likely to cause damages to the underlying layers and incomplete items in general if left unattended for too long and that would cost the Municipality to redo those items, hence immediate Contractor replacement measures had to be made priority. Over and above, the roads project has life threatening risky elements to the community as there were trenches dug into people's entrances thus required urgent attention to avoid the accidents from occurring.

The municipality then evaluated from the service provider that had tendered for this project, and were scored for functionality and appoited a service provider to complete the project based on the remaining work. This was in line with Municipalal Supply chain policy, however upon futher delibarations the municipality realised that this is in contravention with the regulations, since the process could not allowed other service providers to also bid for the projects.

further reasons that compelled the municipality to treat this as an urgent metter are as follows:
1. The project is funded through MIG and the MIG framework require Municipalities to commit monthly expenditure targets for the year ahead and failure to meet the minimum targets results to the stopping and re-allocation of grant to other Municipalities in terms of section 19 and 20 of the Division of Revenue Act, this is why we had to manage the situation internally and ensure a quick measure for the replacement Contractors that will immediately proceed with the works to avoid losing funds to performing Municipalities.

2. Secondly, the Municipality was at high risk considering that it had suffered MIG rollovers 3 years in a row (18/19, 19/20, 20/21), by luck all 3 rollovers where approved accordingly, however chances were very slim that a fourth rollover application could be approved, the Municipality had to therefore be quick to manage that situation to avoid losing the MIG funds whereas the Municipality lacks sufficient finances to build infrastructure.

3. lastly, re-adverts may have resulted to escalated rates considering the time elapsed since original tender, but with the second runner up approach it was a matter of accepting the previously tendered rate if deemed still within market. This approach let the Municipality get away with applications for additional funding with CoGTA which was likely to occur and on its own is a + - 3 months process whilst the project suffers.

Irregular expenditure of R30 500: the municipality booked in the hotel in durban only to find that the one of the shareholders is in the service of the state, but on the CSD printout prio appointment it was not reflecting that there is a person in the service of the state.

Irregular expenditure of R570 500: Bid evaluation criteria not specified to suppliers upfront.

The municipality set out terms of reference which outlined the objective of the contract or services required from the service providers' quote

Service provider to be appointed was required to demonstrate sound project and programme management skills to ensure effective delivery and timeous outcome in their methodology

Township establishments in South Africa are conducted in terms of the Spatial Planning and Land Use Management Act (Act No. 16 of 2013). Within the Act there are timeframes which are mandatory to be applied when developing townships. Service providers must therefore in their bid documents demonstrate knowledge of SPLUMA by indicating SPLUMA time frames. The service providers therefore needed to demonstrate the SPLUMA time frames as stipulated in the legislation. The exclusion of SPLUMA time frames by the said service providers indicated limited knowledge of processes applied in developing township establishments in terms of SPLUMA.

With the above being said, when developing township establishment, requires one to demonstrate, and take note of National Legislation which is SPLUMA and service providers needed to outline compliance and alignment of timeframes that are in line with the framework.

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

39. Irregular Expenditure (continued)

Therefore, the municipality considered the proposals of the two service providers as non-responsive since they failed to outline SPLUMA time frames.

40. Unauthorised Expenditure

There was no unauthorised expenditure in the current financial year, and there was nothing in the prior year as well.

41. Additional disclosures in terms of the Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,338,990	1,144,230
Amount paid - current year	(1,338,990)	(1,144,230)
	-	-

Audit fees

Current year subscription / fee	1,930,409	1,784,291
Amount paid - current year	(1,930,409)	(1,784,291)
	-	-

PAYE and UIF

Current year subscription / fee	18,636,986	17,153,842
Amount paid - current year	(18,636,986)	(17,153,842)
	-	-

VAT

VAT receivable	5,604,262	3,213,286

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

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

42. Related parties

Related party balances

Councillors- in arrears more than 90 days

No councillors were in arrears at the end of the current financial year

Section 57 employees		
Remuneration paid	6,256,917	6,902,805

The detailed section 57 employees cost break down is on note 25]

Councillors		
Remuneration paid	16,267,338	15,923,461

Remuneration of councillors disclosed in note26

Employee lease rentals		
N.Tyekela	13,069	16,532
K. Dweba	17,425	16,532
T. Sondzaba	9,000	-
S Maphumulo	2,400	2,549
S Sosibo	2,400	2,549
TM Sikhosana	2,400	2,549
Mncwabe	-	2,124
I Jokweni	600	-

43. Deviation from supply chain management regulations

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

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

There were deviations amounting to R2 980 522 in the current financial year.

the breakdown of these deviations is as follows:
- Provision of security services (emegency) of R2 363 588
- Accommodation (the municipaltiy did not have a travel agent,and could not get 3 quotes) of R565 972
- Short course (other institution do not cater for online sourse for the certificate) of R27 000
- Car hire (emegency) of R19 963
- Actuarial services (impractical to follow SCM process), of R4000

44. Events after the reporting date

There were no events after reporting date.

45. Prior period errors

There was amount of R103 885 that was paid for services that were not yet received, in the previous year resulting in the Prepayments being understated by R103 885, and the accommodation being overspent with the same amount.

There was an amount of R40 800 that was mapped incorrectly into the Employee costs (Travel, motor car) instead of remuneration of Councillors (Cellphone allowance), thus resulting in the employee costs being overstated, and Remuneration of councillors understated with the same amount of R40 800.

Bad debts written-off(previously reported as debt impairment) were overstated by an amount of R2 124 272, this amount was for impairment provision, and it was incorrectly included to bad debts written-off. we have now correctly mapped it to gains/losses.
The impairment for property, plant and equipment of R2 371 891 was incorrectly reported under general expenses, but was supposed to be on gains/losses.

in 2019 financial year the municipality raised a provision for planning studies, how ever the amount paid on those studies is less than the amount that was raised, therefore the payables from exchange transaction were over-stated by R1 377 210

the amount of 409 490 thas was previously reported as leaners and licences has been reclassified into Agency services.

<u>Property, Plant and Equipment</u>

There is an asset that was recorded on community, but its nature is Infrastructure. The community assets were over stated by R2 828 412, and Infrastructure assets were understated by the same amount.

The landfill site was constructed by Environmental affairs, and later on trasferred into our municipality in the previous financial year, even though we have not yet started utilizing it, but we were supposed to capitalise it in our books. This resulted in the muicipal community assets being understated by R11 467 904, and the Donations revenue also understated with the same amount. the accumulated depreciation was understated by R158 241.50 and depreciation understated by the same amount.

Drawings for new municipality offices were previously recorded as contracted services. This resulted in Buildings beinge understated by R1 274 000, and contracted services oversated by the same amount.

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The impact of the foregoing errors is as follows:

	2021	2020
Statement of financial position		
Prepayments	-	103,885
Infrastructure assets	-	2,828,412
Community assets	-	(2,828,412)
Community assets	-	11,467,904
Buildings (WIP)	-	1,274,000
Community assets: Accumulated depreciation	-	158,242
Payables from exchange transactions	-	(1,377,210)
Accumulated surplus	-	(1,377,210)

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

45. Prior period errors (continued)

Statement of Financial Performance

	2021	2020
Donation revenue	-	11,467,904
Subsistance and travelling	-	(103,885)
Employee related costs	-	(40,800)
Remuneration of Councillors	-	40,800
Contracted services	-	(1,274,000)
Depreciation	-	157,242
Bad debts written-off	-	(2,124,272)
Gains/losses	-	2,124,272
Learners and licences	-	(409,490)
Agency services	-	409,490

Statement of Financial Performance	Previously Reported	Restated
Donation revenue	-	11,467,904
Sustistance and travelling	3,364,045	3,260,159
Employee costs	100,934,925	100,894,125
Councillors remuneration	15,923,461	15,964,261
Contracted services	27,646,847	26,372,847
Depreciation	35,668,067	35,853,668
Bad debts written-off	3,029,744	905,475
Impairment gains/losses	-	4,496,163
Learners and licences	409,490	-
Agency services	421,773	831,263
	187,398,352	**200,045,865**

Statement of Financial Position	Previously Reported	Restated
Community assets	210,209,639	218,849,131
Infrastructure assets	472,238,796	475,067,202
Buildings	48,482,319	49,756,319
Community asets acc depre	30,735,814	30,894,056
Payables from exchange transactions	19,225,186	17,847,976
Prepayments	3,226,338	3,330,223
Accumulated surplus	628,504,702	642,542,100
	1,412,622,794	**1,438,287,007**

Cash flow statement	Previously reported	Restated
Receipts form ratepayers and other services	15,233,879	13,888,139
Funds receipts	-	15,000,000
Supplier and other payments	(83,080,346)	(104,936,556)
Payment from funds	-	(15,000,000)
Electrification receipts	15,000,000	-
Housing development and electrification funds proceeds paid	(36,856,210)	-
	(89,702,677)	**(91,048,417)**

46. Budget differences

Material differences between budget and actual amounts

Budget vs Actual Variance Explanations for 2020/2021

Notes to the Annual Financial Statements

46. Budget differences (continued)

The budget is approved on an accrual basis nature of classification. The approved budget covers the period of 01 July 2020 to 30 June 2021
Material variances on final budget compared to actuals.

Variance Explanations

Revenue

Interest earned – external investments – This is due to the amount that matured in March and it was not re-invested as it was anticipated on the adjustment budget. The municipality planned to re-invest in September.

Interest earned – outstanding debtors - Interest were budgeted based on debt however during the financial year, there were writes offs processed as well as rebates offered due to covid 19 effect that had impact on debt.

Licenses and permits – this is due to Hawkers renewed their license for 2021-2022 financial year, in the last quarter of 2020-2021 financial year and that was not anticipated during adjustment budget.

Agency services - Due to applications from applicants around KZN towns. Dates from uMzimkhulu traffic department are near yet in their towns they usually get far dates to obtain their learners licenses.

Other revenue - Due to error made during the adjustment budget on budget for Building plans and Servitudes, the budget was supposed to be R45 000.00 not R450 000.00

Expenditure by type

Remuneration of councilors - no increments for councilors for this financial year while the municipality anticipated on the budget.

Debt impairment - Impairment calculations are based on closing debt at that period. Therefore, municipal debt increases as at June and the impairment increased.

Depreciation and Amortization - The reduction on the depreciation is due to impairment loss on the most of community assets, therefore it led the depreciation and amortization to decrease.

Other Material - Ward 13 Bakery - The project was re-advertised due to issues on local content not being considered.

Sewing Machine and material (ward 12) - The project was re-advertised twice due to not getting the suitable service provider.

Contracted Services – SPLUMA - Municipal Planning Tribunal meeting had not sat physically due to due to regulations issued in terms of Disaster Management Act (Covid-19). MPT Members are remunerated on seating and travelling.

Rural Housing Ward 1,2,3 and 4 and Formalisation of ext. 9 & 10 in-sutu - Feasibility studies are not yet approved by the Department of Human Settlements, The Municipality will spend upon approval of feasibility studies.

Tourism Festival (performing artist), Tourism Festival (Gala Dinner-Catering) and Tourism Aloe Festival - These projects were cancelled due to Covid 19 regulations restriction to events.

Title Restoration - Rollover application has not been approved by the department of Human Settlements and Provincial Treasury; therefore, we are unable to spend.

Emergency repairs on Public Facilities - The budget projection for these projects is mainly conducted through a three-quote process when the damages have been identified and assessed on the public facilities, there were no, or minor damages assessed during the financial year hence there is no expenditure.

46. Budget differences (continued)

Medical Surveillance – The project was put on hold - due to deceased contracted Doctor.

District Marathon, Youth Day Celebration, Disability Day, Youth Summit, Disability Sports Day, Library Road Show, Mayors Cup - These projects were not implemented due to Covid 19 restrictions.

General expenses

- Branding Sign Boards and Uniform - These projects were depending on the EPWP beneficiaries and these beneficiaries were appointed toward the end of the year (May) due to the shortage of staff and the number of applications were massive.

- Postage/Stamps/Franking Machines – There were non-response from the service provider to supply franking machine

- Printing Publications and Books - During policy review it was resolved that employees should purchase books and claim from the municipality therefore the municipality did not receive any claims.

- Jazz Festival, Youth Summit – The municipality planned for 100 participants due to covid 19 were reduced to 50.

-Subsistence and Travelling - Due to covid 19 travelling were limited and the municipality could not spend as per plan. Meetings, conference, and training were held through virtual.

- **Impairment Loss** – The municipality has conducted the conditional assessment and impairment testing upon concluding the report there was an impairment loss on community assets. The impairment loss is due vandalism of the facilities by the community members.

Capital Expenditure – Internal Generated Fund

Acquisition of GPS and Unmanned Aerial Vehicle - These projects were advertised numerous times, but no appointment could be made as there were insufficient bids to proceed with the procurement.

Furniture and Office Equipment – The municipality contracted with Regency Office Furniture for the procurement of furniture and office equipment, the municipality place an order in May and the Service Provider did not deliver on time.

Audit and Risk System -The tender was readvertised after non-compliance from service providers

Renewal of existing Intangible Assets – The municipality appointed Microsoft through SITA to supply licenses through enterprise agreement therefore budget was not used for any Microsoft license as the budget was intended to make an additional Microsoft license.

Notes to the Annual Financial Statements

Figures in Rands	2021	2020

47. Other investments

Bank investment		
STD bank -248875078-002	30,379,144	-

48. Impairment gain/losses

The decision was made by the to discontinue these operations due the lack of return on investment.

Impairments		
Impairment on Property, plant and equipment	14,712,896	2,371,891
Impairment on Receivable assets	2,040,166	2,124,272
	16,753,062	**4,496,163**

Disposals		
Furniture and office equipment disposal	43,764	(328)
Machinery and equipment disposal	3,533	-
Computer equipment disposal	24,443	18,385
Intangible assets disposal	3	-
Transport assets disposal	4	913,007
Heritage assets (impairment reversal)	-	(177,000)
	71,747	**754,064**

49. Segment information

General information

Identification of segments

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

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

Aggregated segments

The municipality operates is the most populated of the Harry Gwala municipalities, accounting for 39% of the district's population. The population of UMzimkhulu is about 197 286 people. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

The management purpose, the municipality is organised and operates in 3 key functional segments(business units). Management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance.

These reportable segments/ business units comprise of:

Reportable segment	**Goods and/or services**
Community and public safety	Community and social related services, sports and recreation
Economic and environmental affairs	Road transport services, planning and development
Trading services	Waste management services

49. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

2021

	Community and public safety	Economic and environmental affairs	Trading services	Unallocated	Total
Revenue					
Revenue from non-exchange transactions	36,750,743	163,058,621	-	137,692,113	337,501,477
Revenue from exchange transactions	81,842	1,973,559	2,918,946	11,167,875	16,142,222
	36,832,585	**165,032,180**	**2,918,946**	**148,859,988**	**353,643,699**
Expenses					**Total**
Expenses	(36,595,138)	(46,528,688)	(5,399,307)	(115,524,791)	(204,047,924)
Depreciation	(6,366,652)	(29,262,438)	(126,385)	(2,591,649)	(38,347,124)
	(42,961,790)	**(75,791,126)**	**(5,525,692)**	**(118,116,440)**	**(242,395,048)**
					Total
Total segment surplus/deficit	(6,129,205)	89,241,054	(2,606,746)	30,743,548	111,248,651
Assets					**Total**
Segment assets	233,165,563	279,917,784	1,783,383	285,907,702	800,774,432
Segment liabilities	(13,547,346)	(886,123)	(399,608)	(18,944,240)	(33,777,317)
Additions to non-current asseets	42,402,944	32,421,755	1,855,182	28,212,017	104,891,898
	262,021,161	**311,453,416**	**3,238,957**	**295,175,479**	**871,889,013**

Measurement of segment surplus or deficit, assets and liabilities

Notes to the Annual Financial Statements

49. Segment information (continued)

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

50. Compliance with the Municipal Finance Management Act and other Laws and Regulations

The municipality complied with all the requirements of the MFMA as required. There were no instances of material non-complienace identified during the period under reporting, except for the items disclosed in note 39 (irregular expenditure) and note 44 (deviations).

51. Significant losses incurred during the financial year

Municipality did not incure any significant losses during the financial year; except those disclosed on the Note 28 for impairment and write-off receivables.