

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June, 2021



Mkhondo Local Municipality

Annual Financial Statements
for the year ended 30 June, 2021

* See Note 48

Mkhondo Local Municipality

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General Information

Legal form of entity	Municipality
Mayoral committee	
Executive Mayor	Cllr. V.M. Motha
Speaker	Cllr. G.T. Nkosi
Chief Whip	Cllr. M.Yende
Member of Mayoral Committee- Finance and Technical services	Cllr. Z.J. Mnisi
Member of Mayoral Committee- Planning and Economic Development	Cllr. S. D Thwala
Member of Mayoral Committee- Community Services and Public safety	Cllr. F.C. Mthethwa
Member of Mayoral Committee- Corporate Services	Cllr. T.E. Khumalo
Councillors	Cllr. C.B. Mkhwanazi Cllr. D. M . Thwala Cllr. B. J. Vilakazi Cllr. B.M. Khumalo Cllr. S. S. Mathebula Cllr. T.P. Hlatshwayo Cllr. K.D Masondo Cllr. R.P. Hlatshwayo Cllr. T.S . Nkosi Cllr.D.M. Ntshakala Cllr. J.P.Makathini Cllr. T.S. Mafuyeka Cllr. M.Z. Ngwenya Cllr.T.W.Manana Cllr.M.D. Ntuli Cllr. B.C. Mkhwanazi Cllr. T.B. Nkosi Cllr. S.M.N. Bophela Cllr. T.S.M. Zulu Cllr. S.Z. Yende Cllr. D.L. Ngobeza Cllr. J.B. Brussow Cllr. S.P. Mkwanzani Cllr. J.R. Ngwenya Cllr. S.J. Methula Cllr. S.C. Mahlobo Cllr. R.J.A. Wison Cllr.P.E. Thabede Cllr. N.N. Zulu Cllr. T.P. Mncube Cllr. B.J. Mchunu
Grading of local authority	Grade 3

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General Information

Accounting Officer	Mr M. Kunene
Chief Finance Officer (CFO)	Mr. B. Maseko
Registered office	Cnr Market & De Wet street Piet Retief 2380
Business address	Cnr Market & De Wet street Piet Retief 2380
Postal address	P.O. Box 23 Piet Retief 2380
Bankers	First National Bank A division of First Rand Limited
Auditors	Auditor General South Africa

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

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2021 and were signed on its behalf by:

Mr. M. Kunene
Municipal Manager

Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June, 2021

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June, 2021.

1. Review of activities

Main business and operations

The municipality is engaged in operating as a local municipality and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment

2. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Accounting Officer's interest in contracts

The accounting officer has no interests in the contracts awarded during the period under review.

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name

Mr. M. Kunene

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Executive mayor and municipal manager

The roles of Executive mayor and the municipal manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Remuneration

The upper limits of the remuneration of the Executive mayor, councillors and other section 56 and section 57 managers of the municipality, are determined by the Department of co-operative governance and traditional affairs.

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Accounting Officer's Report

Audit committee

Name	Position	Date of appointment
Mr A. Singh	Chairperson	25 August 2018
Advocate J.C Weapond	Member	1 May 2019
Mr M.A. Ngcobo	Member	24 January 2020
Mrs N.T. Maseko	Member	1 January 2021

In terms of Section 166 of the Municipal Finance Management Act, (56 2003), the municipality, must appoint members of the Audit Committee who are not directors of the of the municipal.

Internal audit

The municipality has a functional internal audit unit. This is in compliance with the Municipal Finance Management Act, 2003.

7. Bankers

The municipality's banker is First National Bank, a division of First Rand Limited.

8. Auditors

Auditor General South Africa will continue in office for the next financial period.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2021 and were signed on its behalf by:

Mr. M. Kunene
Municipal Manager

Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June, 2021

Statement of Financial Position as at 30 June, 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	2	27,699,722	17,060,350
Other financial assets	3	46,465	44,879
Receivables from exchange transactions	4	915,359	855,797
Receivables from non-exchange transactions	5	1,701,683	1,053,921
Consumer debtors	6	25,567,596	54,483,105
Cash and cash equivalents	7	7,738,001	4,503,264
		63,668,826	78,001,316
Non-Current Assets			
Biological assets that form part of an agricultural activity	8	60,597,062	49,050,842
Investment property	9	14,617,490	17,150,867
Property, plant and equipment	10	1,711,160,230	1,662,661,965
Intangible assets	11	-	25,088
Other financial assets	3	481,952	440,278
		1,786,856,734	1,729,329,040
Total Assets		1,850,525,560	1,807,330,356
Liabilities			
Current Liabilities			
Finance lease obligation	12	2,305,630	2,693,544
Payables from exchange transactions	13	524,421,275	411,575,529
VAT payable	14	171,496	8,300,082
Consumer deposits	15	4,020,608	3,778,894
Employee benefit obligation	16	3,682,000	1,590,000
Unspent conditional grants and receipts	17	23,261,953	-
		557,862,962	427,938,049
Non-Current Liabilities			
Finance lease obligation	12	-	2,305,630
Employee benefit obligation	16	23,409,000	23,238,000
Provisions	18	30,403,547	24,218,836
		53,812,547	49,762,466
Total Liabilities		611,675,509	477,700,515
Net Assets		1,238,850,051	1,329,629,841
Accumulated surplus		1,238,850,047	1,329,629,840
Total Net Assets		1,238,850,047	1,329,629,840

* See Note 49 & 48

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Annual Financial Statements for the year ended 30 June, 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	195,511,763	201,281,369
Rental of facilities and equipment	21	803,034	1,067,696
Licences and permits	22	187,839	617,330
Other income	23	3,408,396	5,449,954
Interest received	24	26,799,814	28,404,691
Gain on disposal of assets and liabilities		1,364,902	2,850,342
Fair value adjustments	25	11,587,894	2,529,222
Inventories reversal		-	398,851
Total revenue from exchange transactions		239,663,642	242,599,455
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	71,236,638	72,213,286
Transfer revenue			
Government grants & subsidies	27	450,858,840	363,458,453
Public contributions and donations	28	8,469,370	1,521,794
Fines, Penalties and Forfeits	29	15,463,163	7,776,806
Total revenue from non-exchange transactions		546,028,011	444,970,339
Total revenue	19	785,691,653	687,569,794
Expenditure			
Employee related costs	32	(218,838,023)	(194,490,862)
Remuneration of councillors	33	(16,153,616)	(15,798,176)
Depreciation and amortisation	34	(83,881,591)	(111,275,150)
Impairment loss	35	(10,901,580)	(240,173)
Finance costs	36	(19,757,125)	(14,007,131)
Lease rentals on operating lease	31	(2,832,393)	(7,897,991)
Debt Impairment	37	(126,664,523)	(95,423,229)
Bad debts written off		(3,269,735)	-
Bulk purchases	38	(188,275,785)	(153,905,904)
Contracted services	39	(95,589,625)	(86,072,054)
Transfers and Subsidies	40	(6,212,060)	(6,259,813)
Inventories losses/write-downs		(1,431,083)	-
General Expenses	41	(102,664,309)	(80,813,629)
Total expenditure		(876,471,448)	(766,184,112)
(Deficit)/surplus for the year		(90,779,795)	(78,614,318)

* See Note 49 & 48

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1,402,754,319	1,402,754,319
Adjustments		
Prior year adjustments	5,489,839	5,489,839
Balance at 1 July, 2019 as restated*	1,408,244,158	1,408,244,158
Changes in net assets		
Deficit for the year	(78,614,318)	(78,614,318)
Total changes	(78,614,318)	(78,614,318)
Opening balance as previously reported	1,337,107,367	1,337,107,367
Adjustments		
Correction of errors	(7,477,525)	(7,477,525)
Restated* Balance at 1 July, 2020 as restated*	1,329,629,842	1,329,629,842
Changes in net assets		
Surplus for the year	(90,779,795)	(90,779,795)
Total changes	(90,779,795)	(90,779,795)
Balance at 30 June, 2021	1,238,850,047	1,238,850,047

* See Note 49 & 48

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Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Property Taxation		51,599,405	48,779,996
Sale of goods and services		163,160,321	135,709,965
Grants		474,209,293	364,980,247
Interest income		194,587	28,404,691
		689,163,606	577,874,899
Payments			
Employee costs		(234,991,639)	(210,289,028)
Suppliers		(295,663,628)	(216,890,172)
Finance costs		(19,757,125)	(14,007,131)
		(550,412,392)	(441,186,331)
Net cash flows from operating activities	45	138,751,214	136,688,568
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(135,178,449)	(135,755,739)
Proceeds from sale of property, plant and equipment	10	2,357,101	5,073,907
Proceeds from sale of financial assets		(1,586)	(1,093)
Net cash flows from investing activities		(132,822,934)	(130,682,925)
Cash flows from financing activities			
Repayment of other financial liabilities		-	(5,000,000)
Finance lease payments		(2,693,544)	(2,314,789)
Net cash flows from financing activities		(2,693,544)	(7,314,789)
Net increase/(decrease) in cash and cash equivalents		3,234,736	(1,309,146)
Cash and cash equivalents at the beginning of the year		4,503,264	5,812,422
Cash and cash equivalents at the end of the year	7	7,738,000	4,503,276

* See Note 49 & 48

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	236,342,112	(13,257,587)	223,084,525	195,511,763	(27,572,762)	Ref 1
Rental of facilities and equipment	3,239,207	(2,488,973)	750,234	803,034	52,800	Ref 2
Licences and permits	139,094	-	139,094	187,839	48,745	Ref 3
Other income - (rollup)	46,472,216	(41,649,185)	4,823,031	3,408,396	(1,414,635)	Ref 4
Interest received - investment	35,784,470	(5,079,576)	30,704,894	26,799,814	(3,905,080)	Ref 5
Total revenue from exchange transactions	321,977,099	(62,475,321)	259,501,778	226,710,846	(32,790,932)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	69,800,775	22,959,101	92,759,876	71,236,638	(21,523,238)	Ref 6
Transfer revenue						
Government grants & subsidies	265,326,350	43,751,998	309,078,348	450,858,840	141,780,492	Ref 7
Public contributions and donations	-	-	-	8,469,370	8,469,370	Ref 8
Fines, Penalties and Forfeits	2,344,980	(792,137)	1,552,843	15,463,163	13,910,320	Ref 9
Total revenue from non-exchange transactions	337,472,105	65,918,962	403,391,067	546,028,011	142,636,944	
Total revenue	659,449,204	3,443,641	662,892,845	772,738,857	109,846,012	
Expenditure						
Personnel	(199,074,000)	(17,528,345)	(216,602,345)	(218,838,023)	(2,235,678)	Ref 10
Remuneration of councillors	(18,754,725)	(1,689,715)	(20,444,440)	(16,153,616)	4,290,824	
Depreciation and amortisation	(141,142,708)	-	(141,142,708)	(83,881,591)	57,261,117	Ref 11
Impairment loss/ Reversal of impairments	-	-	-	(10,901,580)	(10,901,580)	Ref 12
Finance costs	(9,405,000)	(5,147,160)	(14,552,160)	(19,757,125)	(5,204,965)	Ref 13
Lease rentals on operating lease	-	-	-	(2,832,393)	(2,832,393)	Ref 14
Debt Impairment	(84,000,000)	-	(84,000,000)	(126,664,523)	(42,664,523)	Ref 15
Bad debts written off	-	-	-	(3,269,735)	(3,269,735)	Ref 16
Bulk purchases	(165,000,000)	63,000,000	(102,000,000)	(188,275,785)	(86,275,785)	Ref 17
Contracted Services	(74,698,967)	5,768,209	(68,930,758)	(95,589,625)	(26,658,867)	Ref 18
Transfers and Subsidies	(11,835,425)	9,380,548	(2,454,877)	(6,212,060)	(3,757,183)	Ref 19
General Expenses	(41,558,162)	(7,113,913)	(48,672,075)	(102,664,309)	(53,992,234)	Ref 20
Total expenditure	(745,468,987)	46,669,624	(698,799,363)	(875,040,365)	(176,241,002)	
Operating deficit	(86,019,783)	50,113,265	(35,906,518)	(102,301,508)	(66,394,990)	
Gain on disposal of assets and liabilities	-	-	-	1,364,902	1,364,902	Ref 21
Fair value adjustments	-	-	-	11,587,894	11,587,894	Ref 22
Inventories losses/write-downs	-	-	-	(1,431,083)	(1,431,083)	Ref 23
	-	-	-	11,521,713	11,521,713	
Deficit before taxation	(86,019,783)	50,113,265	(35,906,518)	(90,779,795)	(54,873,277)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Deficit for the year from continuing operations	(86,019,783)	50,113,265	(35,906,518)	(90,779,795)	(54,873,277)	
Capital Budget	(158,556,330)	(41,860,355)	(200,416,685)	(135,386,094)	65,030,591	Ref 24
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(244,576,113)	8,252,910	(236,323,203)	(226,165,889)	10,157,314	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	7,773,556	8,018,795	15,792,351	27,699,722	11,907,371	Ref 25
Other financial assets	199,558	-	199,558	46,465	(153,093)	Ref 26
Receivables from exchange transactions	9,712,602	183,357,670	193,070,272	915,359	(192,154,913)	Ref 27
Receivables from non-exchange transactions	-	-	-	1,701,683	1,701,683	Ref 28
VAT receivable	-	-	-	115,760,791	115,760,791	Ref 29
Consumer debtors	73,022,124	88,138,571	161,160,695	25,567,596	(135,593,099)	Ref 30
Cash and cash equivalents	7,600,337	25,662,361	33,262,698	7,738,001	(25,524,697)	Ref 31
	98,308,177	305,177,397	403,485,574	179,429,617	(224,055,957)	
Non-Current Assets						
Biological assets that form part of an agricultural activity	46,524,248	2,526,594	49,050,842	60,597,062	11,546,220	Ref 32
Investment property	17,392,513	(628,408)	16,764,105	14,617,490	(2,146,615)	Ref 33
Property, plant and equipment	1,591,067,050	113,532,501	1,704,599,551	1,711,160,230	6,560,679	
Intangible assets	58,537	(33,450)	25,087	-	(25,087)	Ref 33
Other financial assets	439,165	1,113	440,278	481,952	41,674	Ref 34
Employee benefit asset	-	-	-	660,359	660,359	Ref 35
	1,655,481,513	115,398,350	1,770,879,863	1,787,517,093	16,637,230	
Total Assets	1,753,789,690	420,575,747	2,174,365,437	1,966,946,710	(207,418,727)	
Liabilities						
Current Liabilities						
Other financial liabilities	12,502,993	(9,809,449)	2,693,544	-	(2,693,544)	Ref 36
Finance lease obligation	-	-	-	2,305,630	2,305,630	Ref 37
Payables from exchange transactions	27,949,004	462,109,457	490,058,461	524,421,275	34,362,814	Ref 38
VAT payable	-	-	-	115,932,287	115,932,287	Ref 39
Consumer deposits	3,840,792	73,169	3,913,961	4,020,608	106,647	Ref 40
Employee benefit obligation	2,433,563	(843,563)	1,590,000	3,682,000	2,092,000	Ref 41
Unspent conditional grants and receipts	-	-	-	23,261,953	23,261,953	Ref 42
	46,726,352	451,529,614	498,255,966	673,623,753	175,367,787	
Non-Current Liabilities						
Finance lease obligation	4,653,488	(2,347,858)	2,305,630	-	(2,305,630)	Ref 42
Employee benefit obligation	-	-	-	24,069,359	24,069,359	Ref 43
Provisions	48,871,662	(1,414,826)	47,456,836	30,403,547	(17,053,289)	Ref 44
	53,525,150	(3,762,684)	49,762,466	54,472,906	4,710,440	
Total Liabilities	100,251,502	447,766,930	548,018,432	728,096,659	180,078,227	
Net Assets	1,653,538,188	(27,191,183)	1,626,347,005	1,238,850,051	(387,496,954)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,653,538,188	(27,191,183)	1,626,347,005	1,238,850,051	(387,496,954)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	52,350,581	32,441,523	84,792,104	51,599,405	(33,192,699)	45
Sale of goods and services	173,584,574	(1,631,732)	171,952,842	162,079,951	(9,872,891)	46
Grants	420,683,008	54,311,996	474,995,004	474,209,293	(785,711)	47
Interest income	832,347	(598,725)	233,622	194,587	(39,035)	48
Other receipts	49,850,547	(42,053,907)	7,796,640	-	(7,796,640)	49
	697,301,057	42,469,155	739,770,212	688,083,236	(51,686,976)	
Payments						
Suppliers and employees	(531,267,113)	24,845,472	(506,421,641)	(533,059,736)	(26,638,095)	
Finance costs	(9,405,000)	(5,069,304)	(14,474,304)	(19,809,484)	(5,335,180)	50
Transfers and grants	(11,835,425)	9,380,548	(2,454,877)	-	2,454,877	51
	(552,507,538)	29,156,716	(523,350,822)	(552,869,220)	(29,518,398)	
Net cash flows from operating activities	144,793,519	71,625,871	216,419,390	135,214,016	(81,205,374)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(143,171,004)	(9,304,273)	(152,475,277)	(135,386,094)	17,089,183	52
Proceeds from sale of property, plant and equipment	(4)	870,004	870,000	6,101,941	5,231,941	53
Purchase of other asset 2	-	-	-	(1,586)	(1,586)	
Net cash flows from investing activities	(143,171,008)	(8,434,269)	(151,605,277)	(129,285,739)	22,319,538	
Cash flows from financing activities						
Repayment of other financial liabilities	-	-	-	(2,693,544)	(2,693,544)	
Increase (decrease) in consumer deposits	165,396	(65,396)	100,000	-	(100,000)	51
Net cash flows from financing activities	165,396	(65,396)	100,000	(2,693,544)	(2,793,544)	
Net increase/(decrease) in cash and cash equivalents	1,787,907	63,126,206	64,914,113	3,234,733	(61,679,380)	
Cash and cash equivalents at the beginning of the year	6,024,501	(1,476,358)	4,548,143	4,503,264	(44,879)	52
Cash and cash equivalents at the end of the year	7,812,408	61,649,848	69,462,256	7,737,997	(61,724,259)	

Notes to the variances on the statement of Budget and Actual.

Revenue

Ref 1:Service charges

There is a variance of 12 % below the budget. There were meters for water and electricity that could no be billed due them being faulty and disfunctional.

Ref 2:Rental income

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Rental income is 7% above budget. Some tenants were removed from municipal flats due to repurposing of the flats into offices.
Ref 3: Licence and permits: This is 35% over budget. More efforts were put on collections of licences and permits during the year.
Ref 4: Other income: Other income is 52% below budget. The performance from sale of timber was less than budgeted for. Most of the trees are immature to be sold.
Ref 5: Interest received: The interest income is 13% below budget. The municipality had no surplus to invest and the interest received was on consumers for late payments of their accounts.
Ref 6: Property rates: This is 23% below budget. New valuation roll was implemented with revised property values.
Ref 7: Government grants and subsidies: The budget variance is above the amount received and recognised as per the budget by 45.87%. This is because the municipality did not spend all the grants they received during the year.
Ref 8: This was not separately budgeted for. The variance is 100%.
Ref 9: Fines, Penalties and forfeits: There is a positive variance of 895.8%. This is mainly due to cameras fines which increased the revenue.

Expenditure

Ref 10: Remuneration of employees: The expenditure is 2% above budget. This is considered immaterial as it is below 10% of the budget.
Ref 11: Remuneration of councillors: This is below budget by 20.99%. The approved upper limit was below the budgeted increase.
Ref 12: Depreciation and amortisation: The actual performance is 40.21% below budget. The revised estimated remaining useful lives of the assets increased hence the depreciation provided.
Ref 13: Impairment loss: This was not separately budgeted for. The variance is 100%.
Ref 14: Finance Costs: The cost is 36.13% above the budget. This is due to interest levied by service providers due to late settlement of their accounts.
Ref 15: Lease and rentals on operating lease: This was not budgeted for.
Ref 16: Debt impairment: The variance is 50.79% above budget. Consumer debtors are not performing as expected because of the general decline in economic activity.
Ref 17: Debt write off: This was not separately budgeted for and hence the variance is 100%.
Ref 18: Bulk purchases: The bulk is 84.58% above budget. This is because of the water bulk purchases where the municipality was charged about R13 million per month for 4 months when the average bill is below R300 000 in other months.
Ref 19: Contracted Services: The contracted services increased by 38.5%. This is mainly due to general increases in the cost of supply of goods and services.
Ref 20: Transfers and subsidies: The variance is 153.05% over budget: Less consumer registered for indigent services.
Ref 21: General Expenses: The expenditure is 110.68% above budget and considered to be in line with the budget.
Ref 22: Gain on disposal of assets: This was not budgeted for and hence a variance of 100%.
Ref 23: Fair value adjustments: Not separately budgeted for and hence a variance of 100%.
Ref 24: Inventories write downs: Not budgeted for and hence a variance of 100%.
Ref 25: Capital Budget: There is a 325 variance below budget. The municipality had not utilised all the money budgeted for since some were received late.

Statement of Financial Position

Current assets

Ref 26: Inventories: This is 77% above budget. The municipality slowed down on procurement of consumables for the fourth quarter due to COVID pandemic.
Ref 27: Other financial assets: This was not provided for.
Ref 28: Receivables from exchange transactions: This is 99% below budget. There are impairment provisions which were.
Ref 29: Receivables from non exchange transactions: This was not budgeted for.
Ref 30: Consumer debtors: The variance is 87% below budget. This is due to huge impairment provisions due to slow payment by consumers.
Ref 31: Cash and cash equivalents: The variance is 77% below budget. The municipality had been facing cash flow constraints.

Non current assets

Ref 32: Biological assets: The variance is 24% above budget. This is because of the fair valuation movement in biological assets.
Ref 33: Investments Assets: The variance is 5% below budget. The variance is considered immaterial.
Ref 34: Property, Plant and Equipment: The variance is 2% which is within the budgeted amount.
Ref 35: Intangible assets: The variance is 100% since there were no intangibles as at year end.
Ref 36: Other financial assets: This is 9% above the budget. The budget could have been included both short term portion and long term under a single budget line.

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Current Liabilities

Ref 37: Finance lease: This was not budgeted for

Ref 38: Payables from exchange transactions: The variance is 6% above budget. This is due to mainly Eskom outstanding debt which is over R200 Million and was under budgeted for.

Ref 39: VAT Payable: This was not budgeted for.

Ref 40: Consumer deposits: This is 3% above budget. More consumer were connected to services than budgeted for.

Ref 41: Employee benefit: The variance is 1.31% above budget. The municipality could have budgeted this line item

Ref 42: Unspent conditional grant: The variance is 100%. This was not budgeted for.

Non Current Liabilities

Ref 43: Finance lease: The variance is 100%. There is no longer the long term portion of the lease liability.

Ref 44: Employee benefit obligation: The long term portion was not budgeted for and hence a 100% variance.

Ref 45: Provisions: The variance is 36% above budget. The municipality expectations on the movement were lower than the actual results

Cash flow

Ref 46: Taxation: The variance is 39%. The property rates consumers were not paying their accounts as expected.

Ref 47: Sale of goods and services: The variance is 6% which is considered not material.

Ref 48: Grants: There was no variance recorded.

Ref 49: Interest income: The variance is 17%. The performance was less than anticipated due to limited cash resources.

Ref 50: Payments to suppliers and employees: The variance is 5% which is considered immaterial.

Ref 51: Finance costs: The variance is 37% due to delayed payment of suppliers.

Ref 52: Transfer and grants: The variance is 100% due to the expenditure reported under payments to suppliers.

Ref 53: Purchases of property plant and equipment: The variance is 11% due to some projects not carried out during the year.

Ref 54: Proceeds from sale of property plant and equipment: The variance is 601% due to sales of land which was less budgeted for during the year.

Ref 55: Purchase of other assets: The variance is 100%. This was not budgeted for.

Ref 56: Repayments of other financial liabilities: The variance is 100% since this was not budgeted for.

Ref 57: Increase in consumer deposits: The variance is 100% as the actuals were reported under payments to suppliers.

Reconciliation

Additional text

The accounting policies on pages 20 to 41 and the notes on pages 42 to 90 form an integral part of the annual financial statements.

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Annual Financial Statements for the year ended 30 June, 2021

Accounting Policies

Figures in Rand	Note(s)	2021	2020
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1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

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

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

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Annual Financial Statements for the year ended 30 June, 2021

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Impairment testing

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

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

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 18 - Provisions.

Useful lives of waste and water network and other assets

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

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Annual Financial Statements for the year ended 30 June, 2021

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 16.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

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

Impairment of statutory receivables

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

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

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

1.5 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Item	Useful life
Trees in timber plantation - Consumable	indefinite

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Annual Financial Statements for the year ended 30 June, 2021

Accounting Policies

1.6 Investment property

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

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

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

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

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

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

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

Cost model

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

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

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

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

1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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Annual Financial Statements for the year ended 30 June, 2021

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Land and buildings - Community Facilities	Straight-line	15-100 years
Land and buildings - Servitudes	Straight-line	0
Land and Buildings - Fire/Ambulance stations	Straight-line	5-100 years
Land and buildings - Municipal offices	Straight-line	5-100 years
Land and buildings - Workshops/depots/yards	Straight-line	5 -100 years
Land and buildings - Outdoor sport facilities	Straight-line	15 -50 years
Land and buildings - Staff housing	Straight-line	15 - 100 years
Water Supply network - Storm water network	Straight-line	20-50 years
Water Supply network- Bulk mains	Straight-line	40- 80 years
Water Supply network - Dams and Weirs	Straight-line	15 - 50 years
Water supply network - DistributionCommunity	Straight-line	80 years
Water supply network - Distribution points	Straight-line	15-20 years
Water Supply network - Pumpstations	Straight-line	5-100 years
Water Supply network - Reservoirs and towers	Straight-line	7-100 years
Water supply networks- Water Treatment works	Straight-line	5-100 years
Electricity Networks- LV Network (<1000V)	Straight-line	20 years
Electricity networks- MV Network (<=33 kv)	Straight-line	45 years
Work in progress	Straight-line	not depreciated
Road networks - Roads	Straight-line	5 - 100 years
Road Networks - Roadside assets	Straight-line	10-50 years
Sanitation Networks - Boreholes	Straight-line	15-50 years
Sanitation networks - Outfall sewers	Straight-line	80 years
Sanitation network - Reservoirs & towers	Straight-line	15 - 50 years
Sanitation network - Reticulation	Straight-line	80 years
Sanitation network - Sewer Pump stations	Straight-line	10- 100 years
Sanitation network - Waste Water Treatment Works (WWTW)	Straight-line	5 - 100 years
Road bridges	Straight-line	50 years

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Accounting Policies

1.7 Property, plant and equipment (continued)

Plant and machinery	Straight-line	2-15 years
Furniture and fixtures	Straight-line	2-15 years
Office equipment	Straight-line	2-15 years
Transport assets	Straight-line	3-15 years
Computer equipment	Straight-line	3 years
Landfill site Assets	Straight-line	7 years

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

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

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

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

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

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

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

1.8 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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

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

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Accounting Policies

1.8 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

1.9 Financial instruments

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

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.

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.

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

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

A financial asset is:

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

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

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

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.

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

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

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1.9 Financial instruments (continued)

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
Investments	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Consumer debtors from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	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
Finance lease	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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1.10 Statutory receivables (continued)

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

Accrued interest

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

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

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

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1.10 Statutory receivables (continued)

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

1.11 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.12 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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1.12 Inventories (continued)

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

1.13 Employee benefits

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

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Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits

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

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

Post-employment benefits: Defined contribution plans

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

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

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

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

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1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.13 Employee benefits (continued)

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

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

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Accounting Policies

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

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1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 57.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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Accounting Policies

1.15 Commitments (continued)

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.

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

Rendering of services

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

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

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

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

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

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1.16 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

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

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

1.17 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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

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

Recognition

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

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

Measurement

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

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

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

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

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Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

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

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

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

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

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

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

Transfers

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

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

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

Fines

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

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

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

1.18 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.

1.19 Comparative figures

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

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and

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Accounting Policies

1.20 Unauthorised expenditure (continued)

- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

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

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

1.23 Related parties

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

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

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

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

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

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

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

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

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

1.24 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:

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Accounting Policies

1.24 Events after reporting date (continued)

- 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.

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Figures in Rand	2021	2020
2. Inventories		
Consumable stores	27,660,013	15,589,559
Water for distribution	39,709	1,470,791
	27,699,722	17,060,350
Carrying value of inventories carried at fair value less costs to sell	27,941,311	17,060,350
Inventories recognised as an (expense)/ gain during the year	(1,431,083)	398,851
Inventory pledged as security		
There was no inventory pledged as security.		
3. Other financial assets		
Designated at fair value		
Listed Shares - Old Mutual: 13093141	481,952	440,278
This is an Old Mutual Wealth wrapped investment. The account was opened on 25 June 2002 with an initial investment amount of R3 539 868. Terms and conditions		
At amortised cost		
ABSA Fixed Term deposit	46,465	44,879
This is a fixed term deposit with interest capitalised every three months.		
Total other financial assets	528,417	485,157
Non-current assets		
Designated at fair value	481,952	440,278
Current assets		
At amortised cost	46,465	44,879
4. Receivables from exchange transactions		
Trade debtors	712,500	762,499
Deposits	93,298	93,298
Bank overs/unders	109,561	-
	915,359	855,797
Trade and other receivables pledged as security		
There are no other receivables pledged as security during the year.		
Fair value of trade and other receivables		
Trade and other receivables	965,359	855,797
Trade and other receivables past due but not impaired		
Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June, 2021, 109,561 (2020: -) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	109,561	-

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Figures in Rand	2021	2020
4. Receivables from exchange transactions (continued)		
Trade and other receivables impaired		
As of 30 June, 2021, trade and other receivables of 3,412,697 (2020: 3,412,697) were impaired and provided for.		
The amount of the provision was - as of 30 June, 2021 (2020: (3,412,697)).		
5. Receivables from non-exchange transactions		
Fines	1,701,683	1,053,921
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Fines	1,701,683	1,053,921
Total receivables from non-exchange transactions	1,701,683	1,053,921
Receivables from non-exchange transactions pledged as security		
There were no receivable from non-exchange transactions pledged as security for the period under review.		
Fair value of receivables from non-exchange transactions		
Receivables from non-exchange transactions	1,701,683	1,053,921
Receivables from non-exchange transactions past due but not impaired		
Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June, 2021, 1,701,683 (2020: 1,053,921) were past due but not impaired.		
Receivables from non-exchange transactions impaired		
As of 30 June, 2021, other receivables from non-exchange transactions of 38,530,778 (2020: 25,732,477) were impaired and provided for.		
The amount of the provision was (12,798,301) as of 30 June, 2021 (2020: (9,259,244)).		
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	(25,732,478)	(16,473,234)
Provision for impairment	(12,798,301)	(9,259,244)
	(38,530,779)	(25,732,478)
6. Consumer debtors		
Gross balances		
Rates	120,900,070	101,262,835
Electricity	170,729,621	142,969,350
Water	123,824,185	104,686,120
Sewerage	53,217,322	46,363,040
Refuse	91,322,562	78,812,647
Other (specify)	21,258,669	22,207,725
	581,252,429	496,301,717

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Figures in Rand	2021	2020
6. Consumer debtors (continued)		
Less: Allowance for impairment		
Rates	(113,885,573)	(90,146,385)
Electricity	(158,906,621)	(127,274,433)
Water	(121,024,414)	(93,193,867)
Sewerage	(51,784,687)	(41,273,388)
Refuse	(90,065,780)	(70,160,737)
Other (specify)	(20,017,758)	(19,769,802)
	(555,684,833)	(441,818,612)
Net balance		
Rates	7,014,497	11,116,450
Electricity	11,823,000	15,694,917
Water	2,799,771	11,492,253
Sewerage	1,432,635	5,089,652
Refuse	1,256,782	8,651,910
Other (specify)	1,240,911	2,437,923
	25,567,596	54,483,105
Statutory receivables included in consumer debtors above are as follows:		
Property rates	7,014,497	11,116,450
Financial asset receivables included in consumer debtors above	18,553,099	43,366,655
Total consumer debtors	25,567,596	54,483,105
Included in above is receivables from exchange transactions		
Electricity	11,823,000	15,694,917
Water	2,799,771	11,492,253
Sewerage	1,432,635	5,089,652
Refuse	1,256,782	8,651,910
Others	1,240,911	2,437,923
	18,553,099	43,366,655
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	7,014,497	11,116,450
Net balance	25,567,596	54,483,105
Rates		
Current (0 -30 days)	3,823,114	1,019,178
31 - 60 days	795,362	383,898
61 - 90 days	364,968	361,491
91 - 120 days	2,031,053	9,351,883
	7,014,497	11,116,450
Electricity		
Current (0 -30 days)	6,197,569	1,552,386
31 - 60 days	746,383	456,575
61 - 90 days	683,662	427,346
91 - 120 days	4,195,386	13,258,610
	11,823,000	15,694,917

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Figures in Rand	2021	2020
6. Consumer debtors (continued)		
Water		
Current (0 -30 days)	886,931	644,555
31 - 60 days	167,221	279,720
61 - 90 days	112,416	204,069
91 - 120 days	1,633,203	10,363,909
	2,799,771	11,492,253
Sewerage		
Current (0 -30 days)	610,709	221,376
31 - 60 days	117,016	94,829
61 - 90 days	59,277	91,206
91 - 120 days	645,633	4,682,241
	1,432,635	5,089,652
Refuse		
Current (0 -30 days)	325,039	301,284
31 - 60 days	70,289	150,511
61 - 90 days	57,852	148,113
91 - 120 days	803,602	8,052,002
	1,256,782	8,651,910
Other (specify)		
Current (0 -30 days)	73,731	88,389
31 - 60 days	5,253	2,914
61 - 90 days	4,563	2,638
91 - 120 days	1,157,364	2,343,982
	1,240,911	2,437,923
Reconciliation of allowance for impairment		
Balance at beginning of the year	(441,818,612)	(359,067,324)
Contributions to allowance	(113,866,221)	(82,751,288)
	(555,684,833)	(441,818,612)

Consumer debtors pledged as security

There are no Consumer debtors pledged as security for overdraft facilities.

Fair value of consumer debtors

Consumer debtors	25,567,596	54,483,108
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Consumer debtors impaired

As of 30 June, 2021, consumer debtors of 555,684,833 (2020: 441,818,612) were impaired and provided for.

The amount of the provision was 113,866,221 as of 30 June, 2021 (2020: 82,751,288).

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Figures in Rand	2021	2020
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	6,342	6,342
Bank balances	7,168,767	4,256,569
Short-term deposits	562,892	240,353
Bank overdraft	-	-
	7,738,001	4,503,264

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June, 2021	30 June, 2020	30 June, 2019	30 June, 2021	30 June, 2020	30 June, 2019
First National Bank - Cheque account- 620131263656	5,487,826	2,699,580	4,457,562	7,168,767	4,256,568	5,608,981
First National Bank - Fixed Deposit account - 62254274732	220,209	88,483	66,972	220,209	88,483	121,542
First National Bank Call Account- 62016967351	10,728	10,503	10,033	10,728	10,503	10,033
First National Bank EPWP 62706895911	16,727	16,312	15,539	16,727	16,312	15,539
First National Bank WISIG 62706897214	76,168	6,120	232	76,168	6,120	232
First National Bank FMG 62706892280	2,842	2,772	30,456	2,842	2,772	30,456
First National bank INEP 62706893890	29,259	28,533	10,702	29,259	28,533	10,702
First National Bank EQS 62706889617	45,248	50,978	8,216	45,248	50,978	8,216
First National Bank MIG	161,484	43,360	381	161,484	43,360	381
Total	6,050,491	2,946,641	4,600,093	7,731,432	4,503,629	5,806,082

8. Biological assets that form part of an agricultural activity

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in timber plantation - Consumable	60,597,062	-	60,597,062	49,050,842	-	49,050,842

Reconciliation of biological assets that form part of an agricultural activity - 2021

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in timber plantation - Consumable	49,050,842	11,546,220	60,597,062

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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8. Biological assets that form part of an agricultural activity (continued)

Reconciliation of biological assets that form part of an agricultural activity - 2020

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in timber plantation - Consumable	46,524,248	2,526,594	49,050,842

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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8. Biological assets that form part of an agricultural activity (continued)

Non-financial information

Quantities of each biological asset

Trees in timber plantation - Consumable	60,597,062	49,524,248
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Afforestation Permits

Commercial afforestation is regulated in South Africa. Water Use Permits are required for legal afforestation. The catchment under which the Mkhondo Municipality license is issued is the Assegaai River Catchment drainage region W52C. The license is issued in the name of Portion 0 Farm 149 Piet Retief Town and Townlands. The start date is 1/01/1972. The extent of the afforestable land is recorded as:

Eucalyptus: 1072 ha

Pine: 1030 ha

Wattle: 415 ha

Poplar: 115 ha

The total afforestable area is: 2632 ha.

The currently recorded forest area (including TU) for the Piet Retief Townlands is 2484 ha which is within the allowable permit area. There is a decrease in the reported forest area (previously 2399.7 ha) which can be attributed to adjustments relating to the exclusion of further Settlement areas.

Next fair valuation on the plantation will be due on 30 June 2022

Valuation method and key assumptions

Valuation of forested land requires knowledge of the location and current volume of timber resources. Forests are dynamic, biological systems, and estimates of growth for various management strategies were applied. Mean annual increment (MAI) was used on a given index age for a specified silviculture regime (Gum 10 years, Pine 25 years and Wattle 10 years), to determine volume production potential. A MAI (gum: 15.4 tons/ha/year, pine: 13.8 tons/ha/year, wattle: 8 tons/ha/year) was used in the evaluation. The standing timber value per hectare is determined by valuing the yield at rotation age and deducting from that the harvesting and delivery cost. The profitability of the crop is then determined by the Faust Mann Formula and incorporates all the costs. Timber prices used were provided by NCT, TWK, and Mondi. Harvesting and transport costs were supplied by local contractors in 2021. The Municipality used an expert to calculate the fair value of biological assets as at 30 June 2021.

Financial Risk Strategy

The entity is exposed to financial risks arising from the changes in market prices of timber. The entity does not anticipate that

timber prices will decline significantly in the foreseeable future and therefore has not entered into derivative or other contracts to

manage the risk of a decline in timber prices. The entity reviews its outlook for timber prices regularly in considering the need

for active financial risk management.

Pledged as security

There is no biological assets pledged as security.

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Figures in Rand

9. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	29,148,510	(14,531,020)	14,617,490	34,848,510	(17,697,643)	17,150,867

Reconciliation of investment property - 2021

	Opening balance	Transfers	Depreciation	Total
Investment property	17,150,867	(1,860,286)	(673,091)	14,617,490

Reconciliation of investment property - 2020

	Opening balance	Impairments	Depreciation	Total
Investment property	17,817,061	(32,684)	(633,510)	17,150,867

Pledged as security

No investment property has been pledged as security.

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

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Figures in Rand

10. 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	28,086,804	-	28,086,804	28,319,153	-	28,319,153
Buildings	79,340,930	(23,780,854)	55,560,076	71,056,316	(17,479,882)	53,576,434
Motor vehicles	6,817,300	(3,181,407)	3,635,893	6,817,300	(1,817,947)	4,999,353
Infrastructure	2,747,245,975	(1,370,322,899)	1,376,923,076	2,623,226,073	(1,290,760,923)	1,332,465,150
Community	80,796,694	(22,080,279)	58,716,415	72,415,824	(17,967,260)	54,448,564
Other property, plant and equipment	72,028,889	(31,896,443)	40,132,446	61,910,409	(27,786,603)	34,123,806
Landfill site	24,745,804	(8,122,012)	16,623,792	20,510,879	(6,057,201)	14,453,678
Work in Progress	131,481,728	-	131,481,728	140,275,827	-	140,275,827
Total	3,170,544,124	(1,459,383,894)	1,711,160,230	3,024,531,781	(1,361,869,816)	1,662,661,965

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Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	28,319,153	-	(232,349)	-	-	-	-	-	28,086,804
Buildings	53,576,434	-	-	1,860,246	2,584,614	-	(2,102,218)	(359,000)	55,560,076
Leased Transport assets	4,999,353	-	-	-	-	-	(1,363,460)	-	3,635,893
Infrastructure	1,332,465,150	2,406,388	-	-	121,616,783	-	(69,528,088)	(10,037,157)	1,376,923,076
Community	54,448,564	-	-	-	-	8,380,870	(3,607,636)	(505,383)	58,716,415
Other property, plant and equipment	34,123,806	11,285,688	(759,850)	-	-	-	(4,517,198)	-	40,132,446
Landfill site	14,453,678	-	-	-	-	4,234,925	(2,064,811)	-	16,623,792
Work in Progress	140,275,827	121,486,373	-	-	(124,198,127)	(6,082,345)	-	-	131,481,728
	1,662,661,965	135,178,449	(992,199)	1,860,246	3,270	6,533,450	(83,183,411)	(10,901,540)	1,711,160,230

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	28,262,896	102,600	(46,343)	-	-	-	-	28,319,153
Buildings	54,992,808	-	-	1,355,427	-	(2,771,801)	-	53,576,434
Leased Transport assets	6,362,813	-	-	-	-	(1,363,460)	-	4,999,353
Infrastructure	1,393,865,219	441,734	(772)	34,777,384	-	(96,618,415)	-	1,332,465,150
Community	56,340,771	-	-	1,167,676	-	(3,059,883)	-	54,448,564
Other property, plant and equipment	29,089,991	11,272,475	(2,176,450)	-	-	(3,854,720)	(207,490)	34,123,806
Landfill site	20,579,336	-	-	-	(3,185,753)	(2,939,905)	-	14,453,678
Work in Progress	77,987,474	123,938,930	-	(37,300,487)	(24,350,090)	-	-	140,275,827
	1,667,481,308	135,755,739	(2,223,565)	-	(27,535,843)	(110,608,184)	(207,490)	1,662,661,965

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10. Property, plant and equipment (continued)

Pledged as security

Carrying value of assets pledged as security:

Assets subject to finance lease (Net carrying amount)

Motor vehicles	5,453,840	4,999,353
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Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Electricity Infrastructure	29,970,960	45,442,667
Roads Infrastructure	1,652,968	30,919,119
Sanitation infrastructure	58,245,569	44,174,725
Water Infrastructure	36,592,114	16,827,245
Community	5,782,658	2,912,069
	132,244,269	140,275,825

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

Upgrading of Main Substation	39,511,897	39,511,897
The delay was mainly due cash flow constraints.		
	39,511,897	39,511,897

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	128,306,827	7,595,379	4,373,620	140,275,826
Additions/capital expenditure	121,486,373	-	-	121,486,373
Other movements [specify]	(6,082,345)	-	-	(6,082,345)
Transferred to completed items	(117,426,821)	(4,186,691)	(2,584,614)	(124,198,126)
	126,284,034	3,408,688	1,789,006	131,481,728

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	69,431,538	4,182,316	4,373,620	77,987,474
Additions/capital expenditure	119,358,190	4,580,739	-	123,938,929
Other movements [specify]	(24,350,090)	-	-	(24,350,090)
Transferred to completed items	(36,132,811)	(1,167,676)	-	(37,300,487)
	128,306,827	7,595,379	4,373,620	140,275,826

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	27,998,845	34,215,853
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10. Property, plant and equipment (continued)

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.

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11. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	167,250	(167,250)	-	167,250	(142,162)	25,088

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	25,088	(25,088)	-

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	58,538	(33,450)	25,088

Pledged as security

There is no intangible assets pledged as security.

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12. Finance lease obligation		
Minimum lease payments due		
- within one year	2,454,600	3,272,800
- in second to fifth year inclusive	-	2,454,600
	2,454,600	5,727,400
less: future finance charges	(148,970)	(728,226)
Present value of minimum lease payments	2,305,630	4,999,174
Present value of minimum lease payments due		
- within one year	2,305,630	2,693,544
- in second to fifth year inclusive	-	2,305,630
	2,305,630	4,999,174
Non-current liabilities	-	2,305,630
Current liabilities	2,305,630	2,693,544
	2,305,630	4,999,174

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

The average lease term was 3 years and the average effective borrowing rate was 12% (2020: 12%).

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

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 10.

13. Payables from exchange transactions

Trade payables	398,092,124	336,729,951
Payments received in advanced - contract in process	8,286,736	5,458,755
Amounts received in advance	2,700,000	-
Retentions	15,699,789	21,394,031
Accrued bonus	5,384,966	4,955,470
Deposits received	35,066	35,066
Accrued leave	20,571,151	17,961,719
Payroll accruals	14,681,723	12,073,325
Unallocated deposits	7,339,740	6,543,431
Sundry creditors	(16,144)	-
Accrued creditors	51,646,124	6,423,781
	524,421,275	411,575,529

14. VAT payable

Tax refunds payables	171,496	8,300,082
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15. Consumer deposits

Electricity	3,729,386	3,668,061
Water	291,222	110,833
	4,020,608	3,778,894

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16. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme. Contribution rates tables are based only on type and number of dependants, and income. As expected health care costs (or claims) tend to increase with average age, younger (in-service) members generally subsidise older (continuation) members.

Key Financial Assumptions

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 9.28% per annum has been used. The corresponding index-linked yield at this term is 4.58%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2021.

The table below summarises the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year. The next contribution rate increase is assumed to occur at 1 January 2022

Assumption	Value p.a.
Discount rate	9.22%
Health care cost inflation rate	6.38%
<i>Net-of-health-care-cost-inflation discount rate</i>	2.67%
Maximum subsidy inflation rate	4.41%
<i>Net-of-maximum-subsidy-inflation discount rate</i>	4.61%

Key demographic assumptions

Assumption	Value
Average retirement age	62
Continuation of membership at retirement	75.00%

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16. Employee benefit obligations (continued)

Proportion with a spouse dependant at retirement	60.00%
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy thereafter	15.00%
Mortality during employment	SA 85-90
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010
Withdrawal from service (sample annual rates)	See Table A4.2

SENSITIVITY ANALYSIS

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed rate of health care cost inflation;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A one-year age increase and decrease in the assumed rates of post-employment mortality;
- (iv) A one-year decrease in the assumed average retirement age; and
- (v) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

Tabled below is the summary of the results of the sensitivity analysis.

Assumption	Change	Eligible Employees	Continuation members	Total	% change
Central assumptions		2.134	9.343	11.477	
Health care inflation rate	1%	2.433	9.433	11.866	3%
	-1%	1.830	9.196	11.026	-4%
Discount rate	1%	1.814	8.674	10.488	-9%
	-1%	2.535	10.110	12.645	10%
Post-employment mortality	+1 yr	2.076	9.023	11.099	-3%
	-1 yr	2.191	9.662	11.853	3%
Average retirement age	-1 yr	2.334	9.343	11.677	2%
Continuation of membership at retirement	-10%	1.850	9.343	11.193	-2%

Long service awards

The effective date of the valuation is 30 June 2021 (the "Valuation Date"). The valuation considers all employees eligible for LSA. The LSA liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The previous actuarial valuation of the Municipality's LSA liability was undertaken as at 30 June 2020.

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16. Employee benefit obligations (continued)

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service, inclusive

Key assumptions

In estimating the unfunded liability for LSA of the Municipality a number of actuarial assumptions are required. The GRAP 25 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary. It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and Current-Service costs are recognised over time. The key financial and demographic assumptions are summarised below.

Key Financial assumptions

Assumption	Value p.a.
Discount rate	9.35%
General earnings inflation rate (long-term)	5.81%
Net effective discount rate	3.35%

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

Carrying value

Present value of the post employment medical aid- wholly funded	(11,477,000)	(11,122,000)
Present value of the long service award - wholly funded	(15,614,000)	(13,706,000)
	(27,091,000)	(24,828,000)
Non-current liabilities	(23,409,000)	(23,238,000)
Current liabilities	(3,682,000)	(1,590,000)
	(27,091,000)	(24,828,000)

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

Opening balance	24,828,000	25,976,268
Net expense recognised in the statement of financial performance	2,263,000	(1,148,268)
	27,091,000	24,828,000

Net expense recognised in the statement of financial performance

Current service cost	1,579,000	1,556,640
Interest cost	2,019,000	2,120,219
Actuarial (gains) losses	255,000	(2,391,564)
Settlement	(1,590,000)	(2,433,563)
	2,263,000	(1,148,268)

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Water Services Infrastructure Grant	11,140,957	-
Regional Bulk Infrastructure Grant	12,120,996	-
	23,261,953	-

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17. Unspent conditional grants and receipts (continued)		
Movement during the year		
Additions during the year	168,852,000	122,336,000
Income recognition during the year	(145,590,047)	(122,336,000)
	23,261,953	-

The municipality received additional funding for the Water Services Infrastructure Grant during the fourth quarter of 2021 amounting to R26 million. The appointment for the service provider was completed towards year end and this resulted in some of the funding not fully spent as at 30 June 2021. The municipality also received R20 million for the Regional Bulk Infrastructure grant during the year on which R12,120,995.94 was unspent as at 30 June 2021.

See note 27 for reconciliation of grants from National/Provincial Government.

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18. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Interest charge	Change in landfill closure provision	Total
Environmental rehabilitation	24,218,836	1,949,786	4,234,925	30,403,547

Reconciliation of provisions - 2020

	Opening Balance	Interest charge	Change in landfill closure provision	Total
Environmental rehabilitation	25,328,957	2,075,632	(3,185,753)	24,218,836

Environmental rehabilitation provision

Financial assumptions used

Unit costs

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately.

Consumer Price Index (CPI)

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date¹⁶. The average of the CPI for the last three months amounted to 4.8235%.

Discount rate

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used¹⁷.

The rate most consistent with the remaining life of the landfill published at the end of the quarter that includes the financial year-end date was used.

For this landfill the rate associated with the maximum period of 10 years was used, i.e. 4% above CPI.

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19. Revenue		
Service charges	195,511,763	201,281,369
Rental of facilities and equipment	803,034	1,067,696
Licences and permits	187,839	617,330
Other income - (rollup)	3,408,396	5,449,954
Interest received - investment	26,799,814	28,404,691
Property rates	71,236,638	72,213,286
Government grants & subsidies	450,858,840	363,458,453
Public contributions and donations	8,469,370	1,521,794
Fines, Penalties and Forfeits	15,463,163	7,776,806
	772,738,857	681,791,379
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	195,511,763	201,281,369
Rental of facilities and equipment	803,034	1,067,696
Licences and permits	187,839	617,330
Other income - (rollup)	3,408,396	5,449,954
Interest received - investment	26,799,814	28,404,691
	226,710,846	236,821,040
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	71,236,638	72,213,286
Transfer revenue		
Government grants & subsidies	450,858,840	363,458,453
Public contributions and donations	8,469,370	1,521,794
Fines, Penalties and Forfeits	15,463,163	7,776,806
	546,028,011	444,970,339
20. Service charges		
Sale of electricity	147,212,899	153,634,846
Sale of water	24,546,953	25,088,469
Sewerage and sanitation charges	10,943,189	10,604,947
Refuse removal	12,808,722	11,953,107
	195,511,763	201,281,369
21. Rental of facilities and equipment		
Premises		
Premises	803,034	1,067,696
22. Licences and permits (exchange)		
Licences and permits 1	187,839	617,330

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Figures in Rand	2021	2020
23. Other income		
Timber sales	-	3,122,473
Cemetery fees	280,563	449,966
Photo copies	414,512	402,567
Handling fees	134	-
Building and clearing certificates	778,768	597,614
Commission income	187	245
Advertising income	4,851	16,174
Escorting fees	1,336,336	213,398
Other revenue	593,045	647,517
	3,408,396	5,449,954
24. Investment revenue		
Interest revenue		
Bank	194,587	233,607
Interest charged on trade and other receivables	26,605,227	28,171,084
	26,799,814	28,404,691
25. Fair value adjustments		
Biological assets - (Fair value model)	11,546,220	2,526,594
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	41,674	2,628
	11,587,894	2,529,222
26. Property rates		
Rates received		
Residential	34,695,068	33,326,124
Commercial	12,306,136	11,999,025
State	6,378,191	5,987,913
Small holdings and farms	22,258,153	25,166,440
Less: Income forgone	(4,400,910)	(4,266,216)
	71,236,638	72,213,286
Valuations		
Residential	3,528,161,250	3,528,161,250
Commercial	1,334,629,800	1,334,629,800
State	908,104,300	908,104,300
Municipal	744,313,900	744,313,900
Small holdings and farms	5,789,005,000	5,789,005,000
Vacant land	154,908,780	154,908,780
Other	101,713,810	101,713,810
	12,560,836,840	12,560,836,840

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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27. Government grants and subsidies		
Operating grants		
Equitable share	300,190,000	235,268,000
Finance Management Grant	3,000,000	2,680,000
LGSETA	80,793	356,453
Expanded Public Works Programme	1,998,000	2,264,000
COVID 19 Grant	-	554,000
	305,268,793	241,122,453
Capital grants		
Municipal Infrastructure Grant	82,852,000	78,336,000
Water Services Infrastructure Grant	44,859,043	30,000,000
Integrated National Electrification Programme	10,000,000	14,000,000
Regional Bulk Infrastructure Grant	7,879,004	-
	145,590,047	122,336,000
	450,858,840	363,458,453

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	145,590,047	122,336,000
Unconditional grants received	305,268,793	241,122,453
	450,858,840	363,458,453

Equitable Share

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

All registered indigents receive a monthly subsidy of 288 (2020: 289), which is funded from the grant.

Municipal Infrastructure Grant

Current-year receipts	82,852,000	78,336,000
Conditions met - transferred to revenue	(82,852,000)	(78,336,000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

The conditions of the projects are directly in-line with the DORA requirements. The Municipal Infrastructure Grant programme is aimed at providing all South Africans with at least a basic level of service through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. The MIG programme is a key part of government's overall drive to alleviate poverty in the country and, therefore, infrastructure is to be provided in such a way that employment is maximised and opportunities are created for enterprises to flourish.

Finance Management Grant

Current-year receipts	3,000,000	2,680,000
Conditions met - transferred to revenue	(3,000,000)	(2,680,000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

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27. Government grants and subsidies (continued)

The purpose of the FMG is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA.

Local Government Sector and training authority

Current-year receipts	80,793	356,453
Conditions met - transferred to revenue	(80,793)	(356,453)

- -

Conditions still to be met - remain liabilities (see note 17).

The Local Government, Water and Related Services SETA was established in terms of the Skills Development Act (1998). In terms of the provisions of the Act, the SETA was first established in 2000 and was recertified by the Minister of Labour in March 2005, with a reduced scope of coverage that excluded the Water Sector. It was at this stage renamed the The Local Government Sector Education & Training Authority (LGSETA). In 2011 responsibility for all SETAs was moved from the Department of Labour to the newly established Department of Higher Education and Training. The LGSETA was recertified by the Minister for the National Skills Development Strategy III period (2011-2016). The LGSETA has aligned its contributions to

the implementation of National Skills Development Strategy III (NSDS III) primarily to support the achievement of OUTCOME 9 of the Cabinet Programme of Action, which aims to improve the effectiveness and efficiency of skills development system within the local government sector. The strategic outcome of the SETA will therefore produce a skilled and capable local government workforce.

Integrated national electrification programme

Current-year receipts	10,000,000	14,000,000
Conditions met - transferred to revenue	(10,000,000)	(14,000,000)

- -

Conditions still to be met - remain liabilities (see note 17).

The Department of Energy, Eskom and the South African Local Government Association briefed the committee on where the Intergrated Electrification Programme stood currently, the challenges it faced as well as the challenges specific to municipalities.

Expanded Public works Programme

Current-year receipts	3,000,000	2,264,000
Conditions met - transferred to revenue	(3,000,000)	(2,264,000)

- -

Conditions still to be met - remain liabilities (see note 17).

Incentive paid to public bodies to incentivise work creation. The incentive is paid per quantum of employment created for the EPWP target group and can be measured in person-days of work or full time equivalent job.

Water Services Infrastructure Grant

Current-year receipts	56,000,000	30,000,000
Conditions met - transferred to revenue	(44,859,043)	(30,000,000)

11,140,957 -

Conditions still to be met - remain liabilities (see note 17).

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27. Government grants and subsidies (continued)

The Water Services Infrastructure Grant is used for the construction of the Sewer Package plant in Haartebeesfontein and Rustplaas.

Disaster Relief Grant - COVID 19

Current-year receipts	-	554,000
Conditions met - transferred to revenue	-	(554,000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

The municipality received a disaster relief grant specifically relating to Covid 19. The purpose of the grant was to assist the municipality in providing personal protective equipment for its employees.

Regional Bulk Infrastructure Grant

Current-year receipts	20,000,000	-
Conditions met - transferred to revenue	(7,879,004)	-
	12,120,996	-

Conditions still to be met - remain liabilities (see note 17).

The strategic objective of the Grant is meant to facilitate achievement of targets for access to bulk water and sanitation through successful execution and implementation of bulk projects of regional significance.

Its purposes is to develop new, refurbish, upgrade and replace ageing water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality.

It is also meant to implement bulk infrastructure with a potential of addressing water conservation and water demand management (WC/WDM) projects or facilitate and contribute to the implementation of local WC/WDM projects that will directly impact on bulk infrastructure requirements

28. Public contributions and donations

Public contributions and donations 2	8,380,870	-
Public contributions and donations	88,500	1,521,794
	8,469,370	1,521,794

Reconciliation of conditional contributions

Donated assets	8,469,370	1,421,794
Current year receipts	-	100,000
Conditions met- Transferred to revenue	(8,469,370)	(1,521,794)
	-	-

Conditions still to be met - remain liabilities (see note 17)

Gert Sibande District Municipality provided R100 000 during the last financial year for co-funding for the maintenance of boreholes in Mkhondo Municipality. There were also contributions in terms of assets donated to the Municipality.

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29. Fines, Penalties and Forfeits		
Illegal Connections Fines	233,732	266,256
Municipal Traffic Fines	15,229,431	7,510,550
	15,463,163	7,776,806
30. Other revenue		
Other income - (rollup)	3,408,396	5,449,954
31. Lease rentals on operating lease		
Premises		
Contractual amounts	1,308,988	1,343,658
Lease rentals on operating lease - Other		
Contractual amounts	1,523,405	6,554,333
	2,832,393	7,897,991

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32. Employee related costs		
Basic	131,305,539	120,748,620
Bonus	11,039,372	10,276,242
Medical aid - company contributions	8,478,618	5,451,445
UIF	920,425	932,288
WCA	853,967	231,991
SDL	573,784	1,321,555
Leave pay provision charge	4,186,256	2,666,496
Defined contribution plans	25,371,942	22,838,730
Travel, motor car, accommodation, subsistence and other allowances	5,199,738	4,361,930
Overtime payments	17,562,738	14,119,124
Long-service awards	516,462	1,207,008
Car allowance	54,939	-
Housing benefits and allowances	1,137,287	1,175,874
Standby allowances	10,291,740	9,159,559
Acting allowances	1,345,216	-
	218,838,023	194,490,862

The remuneration of the Municipal Manager and General managers disclosed below are already included in the total remuneration disclosed above.

Remuneration of municipal manager

Annual Remuneration	1,024,848	1,036,364
Other allowances	70,422	70,422
Contributions to UIF, Medical and Pension Funds	141,867	137,784
	1,237,137	1,244,570

The Municipal Manager served for 12 months. The remuneration of the Municipal Manager forms part of the related party remuneration of Senior Management.

Remuneration of chief finance officer

Annual Remuneration	849,959	845,225
Other allowances	58,106	58,106
Contributions to UIF, Medical and Pension Funds	146,382	141,118
	1,054,447	1,044,449

The Chief Financial Officer served for 12 months. The remuneration of the Chief Financial Manager forms part of the related party remuneration of Senior Management.

Remuneration of General manager Planning

Annual Remuneration	857,520	860,567
Other allowances	58,106	58,106
Contributions to UIF, Medical and Pension Funds	124,377	125,934
	1,040,003	1,044,607

The General Manager - Planning served for 12 months. The remuneration of the General Manager forms part of the related party remuneration of Senior Management.

Remuneration of General Manager - Corporate services

Annual Remuneration	818,543	836,009
Other allowances	38,906	38,906

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32. Remuneration of councillors (continued)		
Contributions to UIF, Medical and Pension Funds	157,561	150,606
	1,015,010	1,025,521

The General Manager - Corporate Services served for 12 months. The remuneration of the General Manager forms part of the related party remuneration of Senior Management.

General Manager - Technical services

Annual Remuneration	877,254	857,125
Other allowances	58,106	58,106
Contributions to UIF, Medical and Pension Funds	132,277	129,589
	1,067,637	1,044,820

The General Manager - Technical Services served for 12 months. The remuneration of the General Manager forms part of the related party remuneration of Senior Management.

General manager- community services

Annual Remuneration	881,418	892,677
Car Allowance	58,649	58,106
Contributions to UIF, Medical and Pension Funds	93,160	93,015
	1,033,227	1,043,798

The General Manager - Community Services served for 12 months. The remuneration of the General Manager forms part of the related party remuneration of Senior Management.

Acting Chief Financial Officer

Acting Allowance	4,440	-
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Mr C Munzhelele acted for 24 days from 1 July 2020 to 24 July 2020 as the Chief Financial Officer.

33. Remuneration of councillors

Executive Major	940,693	944,100
Chief whip	716,802	719,908
Speaker	761,452	764,239
Councillors	13,734,669	13,369,929
	16,153,616	15,798,176

34. Depreciation and amortisation

Property, plant and equipment	83,183,411	110,608,190
Investment property	673,092	633,510
Intangible assets	25,088	33,450
	83,881,591	111,275,150

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35. Impairment of assets		
Impairments		
Property, plant and equipment	10,901,580	207,490
Investment property	-	32,683
	10,901,580	240,173
36. Finance costs		
Trade and other payables	17,228,510	10,898,930
Finance leases	578,829	958,010
Bank	-	74,559
Other interest paid	1,949,786	2,075,632
	19,757,125	14,007,131
37. Debt impairment		
Consumer debtors	113,866,222	82,751,288
Traffic Fines	12,798,301	12,671,941
	126,664,523	95,423,229
38. Bulk purchases		
Electricity - Eskom	138,380,431	145,437,521
Water	49,895,354	8,468,383
	188,275,785	153,905,904
39. Contracted services		
Outsourced Services		
Administrative and Support Staff	2,577,785	2,030,550
Business and Advisory	12,351,467	16,707,168
Hygiene Services	171,207	1,705,744
Professional Staff	200,398	-
Refuse Removal	(126,878)	551,636
Security Services	22,634,308	18,273,059
Water Takers	460,000	-
Consultants and Professional Services		
Business and Advisory	333,564	-
Infrastructure and Planning	287,460	500,000
Legal Cost	4,490,678	3,008,280
Contractors		
Catering Services	1,194,430	1,294,496
Electrical	387,752	702,654
Gardening Services	-	48,950
Maintenance of Buildings and Facilities	1,888,095	768,915
Maintenance of Equipment	27,595,056	10,562,070
Maintenance of Unspecified Assets	19,896,259	29,679,536
Traffic and Street Lights	571,309	238,829
Transportation	615,860	-
Safeguard and Security	-	167
Sports and Recreation	60,875	-
	95,589,625	86,072,054

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40. Transfers and subsidies		
Other subsidies		
Equitable share	5,678,123	5,783,000
Social Relief donations	533,937	476,813
	6,212,060	6,259,813
41. General expenses		
Advertising	2,055,387	586,477
Auditors remuneration	6,112,591	7,157,773
Bank charges	1,002,325	1,217,840
Commission paid	217,116	258,174
Consumables	47,549,919	27,778,225
Discount allowed	2,128,064	2,418,344
Hire	1,363,476	-
Insurance	4,938,215	5,466,277
Community development and training	782,360	730,424
Promotions and sponsorships	274,750	165,640
Protective clothing	6,839,403	4,278,297
Subscriptions and membership fees	2,400,041	2,677,896
Telephone and fax	10,449,249	7,297,562
Training	4,052,255	3,311,220
Travel - local	10,261,503	8,386,972
Utilities - Other	2,187,421	9,082,508
Other expenses	50,234	-
	102,664,309	80,813,629
42. Auditors' remuneration		
Fees	6,112,591	7,157,773
43. COVID 19 Related expenditure		
Expenditure		
Personal protective equipment	-	1,304,049
Disaster Management- general	150,286	-
Disaster management- water treatment	5,144,383	-
Danger allowance	1,235,722	-
Refurbishment of water treatment works	2,510,386	-
Maintenance of pump station	1,000,774	-
Maintenance of offices	193,763	-
Property plant and equipment	3,160,196	-
	13,395,510	1,304,049
44. Operating deficit		
Operating deficit for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
• Contractual amounts	1,308,988	1,343,658
Lease rentals on operating lease - Other		
• Contractual amounts	1,523,405	6,554,333
	2,832,393	7,897,991

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44. Operating deficit (continued)		
Gain on sale of property, plant and equipment	1,364,902	2,850,342
Impairment on property, plant and equipment	10,901,580	207,490
Impairment on investment property	-	32,683
Amortisation on intangible assets	25,088	33,450
Depreciation on property, plant and equipment	83,183,411	110,608,190
Depreciation on investment property	673,092	633,510
Employee costs	234,991,639	210,289,038
45. Cash generated from operations		
Surplus/(deficit)	(90,779,795)	(78,614,318)
Adjustments for:		
Depreciation and amortisation	83,881,591	111,275,150
Sale of assets and liabilities	(1,364,902)	(2,850,342)
Fair value adjustments	(11,587,894)	(2,529,222)
Impairment deficit	10,901,580	240,173
Debt impairment	126,664,523	95,423,229
Bad debts written off	3,269,735	-
Movements in retirement benefit assets and liabilities	2,263,000	(1,148,268)
Movements in provisions	1,949,786	2,075,632
Assets expenses from work in progress	6,079,075	24,350,090
Donated assets	(8,380,870)	-
Changes in working capital:		
Inventories	(12,070,455)	(5,341,656)
Receivables from exchange transactions	(59,562)	3,593,856
Consumer debtors	(88,220,444)	(97,684,173)
Other receivables from non-exchange transactions	(13,446,064)	(9,826,161)
Gains and loss on inventories	1,431,083	(398,551)
Payables from exchange transactions	112,845,746	107,589,096
VAT	(8,128,586)	(9,569,461)
Unspent conditional grants and receipts	23,261,953	-
Consumer deposits	241,714	103,494
	138,751,214	136,688,568

46. New standards and interpretations

46.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> Guideline: Guideline on Accounting for Landfill Sites 	1 April, 2009	Unlikely there will be a material impact

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47. Related parties

Relationships

Accounting Officer

Mr. M. Thabethe

Mr. B. Maseko

Mr.V. Khumalo

Mr. L. Motloug

Ms. Z. Lugongolo

Mr. C. Munzhelele

National Treasury

Section 56 manager Refer to note 32

State controlled entity

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47. Related parties (continued)

Remuneration of management

Management class: Councillors

2021

Name	Basic salary	Other short-term employee benefits	Total
Councillors	3,972,211	1,356,101	5,328,312
Subsidiaries board members	8,153,591	2,671,713	10,825,304
	12,125,802	4,027,814	16,153,616

2020

Name	Basic salary	Other short-term employee benefits	Total
Councillors	3,461,180	1,472,786	4,933,966
Subsidiaries board members	7,853,108	3,011,102	10,864,210
	11,314,288	4,483,888	15,798,176

Management class: Executive management

2021

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47. Related parties (continued)

Name	Basic salary	Actiing allowance	Other short-term employee benefits	Contributions to UIF, Pension and Medical Aid	Total
Mr. M. Kunene - Municipal Manager	1,024,848	-	70,422	141,867	1,237,137
Mr. B. Maseko - Chief Financial Officer	849,959	-	58,106	146,382	1,054,447
Mr. L. Motlounq- GM Planning	857,520	-	58,106	124,377	1,040,003
Mr. V. Khumalo- GM Community services	881,418	-	58,649	93,160	1,033,227
Mr. M. Thabede - GM Corporate services	818,543	-	38,906	157,561	1,015,010
Ms Z. Lugongolo- GM Technical services	877,254	-	58,106	132,277	1,067,637
Mr. C. Munzhelele	-	4,440	-	-	4,440
	5,309,542	4,440	342,295	795,624	6,451,901

2020

Name	Basic salary	Other short-term employee benefits	Contributions to UIF, Pension and Medical Aid	Total
Mr. M. Kunene - Municipal Manager	1,036,364	70,422	137,784	1,244,570
Mr. B. Maseko - CFO	845,225	58,106	141,118	1,044,449
Mr. Motlounq - GM Planning	860,557	58,106	125,934	1,044,597
Mr. V. Khumalo- GM Community services	892,677	58,106	93,015	1,043,798
Mr M. Thabede - GM Corporate services	836,009	38,906	150,606	1,025,521
Ms. Z. Lunongolo GM Technical services	857,125	58,106	129,589	1,044,820
	5,327,957	341,752	778,046	6,447,755

48. Prior period errors

Accounts payables were restated for an amount owed to Department of Water affairs for an amount of R5,017,764.52. Consequently prior year bulk purchases increased by R4,363,273.49 and VAT accruals moved by R654,491.02.

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48. Prior period errors (continued)

On property plant and equipment, the prior period adjustments relate to a physical asset verification that was performed during the financial year 2020/21 which resulted in prior period adjustments. The correction of this error has been applied retrospectively.

During the physical verification there were assets that were identified on the floor and could not be traced or linked due to the insufficient documentation in the old fixed assets register. There were also assets that were in the old fixed asset register which could not be linked to the assets found on the floor.

The municipality paid for the same scope of work more than once on the sandbank project. Some components of the work done was demolished and reworked by different contractors. Such costs related to repeat work were identified and reported as Fruitless and Wasteful expenditure. The value of such Fruitless and Wasteful expenditure was calculated to be R7,328,383.66 excluding VAT. Work in Progress was overstated by such an amount and an adjustment was made to remove such expenditures.

Fruitless and wasteful expenditure

Opening balance	37,496,775	-
Adjustments made	7,328,384	-
Restated opening balance	44,825,159	-

Adjustment made to opening balance of fruitless and wasteful expenditure is due to repeat costs on the Sandbank Project. The initial works were demolished and certain aspects of the same work was done more than twice. The repeated costs were deemed to be Fruitless and Wasteful expenditure.

49. Prior-year adjustments

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

Statement of financial position

2019

	Note	As previously reported	Correction of error	Restated
Property, Plant and Equipment		1,661,991,468	5,489,839	1,667,481,307
Accumulated surplus		(1,402,754,319)	(5,489,839)	(1,408,244,158)
		259,237,149	-	259,237,149

2020

	Note	As previously reported	Correction of error	Restated
Payables from exchange transactions		(406,145,600)	(5,429,930)	(411,575,530)
VAT payable		(8,954,573)	654,491	(8,300,082)
Property plant and equipment		1,665,364,052	(2,702,087)	1,662,661,965
Accumulated surplus		(1,337,107,364)	7,477,526	(1,329,629,838)
		(86,843,485)	-	(86,843,485)

Statement of financial performance

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49. Prior-year adjustments (continued)

2020

	Note	As previously reported	Correction of error	Restated
Bulk purchases		149,542,631	4,363,273	153,905,904
Depreciation		109,844,939	1,430,211	111,275,150
Finance costs		13,954,772	52,359	14,007,131
Contracted services		79,004,283	7,067,771	86,072,054
General expenses		80,756,361	57,268	80,813,629
Impairment loss		243,691	(3,518)	240,173
Surplus for the year		433,346,677	12,967,364	446,314,041

Cash flow statement

2020

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
payments to suppliers		(217,452,051)	561,879	(216,890,172)
Finance costs		(13,954,772)	(52,359)	(14,007,131)
		(231,406,823)	509,520	(230,897,303)
Cash flow from investing activities				
Purchase of property plant and equipment		(135,750,851)	(4,888)	(135,755,739)
Proceeds from sale of property plant and equipment		5,578,526	(504,619)	5,073,907
		(130,172,325)	(509,507)	(130,681,832)

50. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Due to largely "non-trading nature" of activities and the way to which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRSs mainly apply. Generally, financial assets and liabilities are generated by day to day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The Internal audit is responsible for initiating a control framework and monitoring and responding to potential risk, reports monthly to the municipality's audit committee, an independent body monitors the effectiveness of internal audit function. The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk

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.

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50. Risk management (continued)

Credit risk

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

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

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

Financial instrument	2021	2020
Investments	483,205	440,279
Receivables from non exchange transactions	1,701,683	1,053,921
Receivables from exchange transactions	965,359	93,298
Cash and bank balances	7,738,001	4,503,262
Consumer debtors	25,567,596	54,483,108

Market risk

Interest rate risk

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

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	11.50 %	965,359	-	-	-	-
Consumer debtors	11.50 %	25,567,596	-	-	-	-
Cash in current banking institutions	- %	7,738,001	-	-	-	-
Trade and other payables - extended credit terms	11.50 %	522,628,144	-	-	-	-
Lease liability	15.00 %	2,305,630	-	-	-	-

51. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

COVID 19 Considerations

In light of the unprecedented recent events brought by COVID 19, management deemed it fit to factor in the effect of the pandemic in its assessment of the Going concern.

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51. Going concern (continued)

Environmental Analysis

The COVID 19 pandemic has developed rapidly in 2020 with a significant number of cases. Measures taken by the government to contain the virus have affected economic activity. The municipality has taken a number of measures in line with government regulations to monitor and mitigate the effects of COVID 19 such as safety and health measures for its members of staff (such as social distancing and working from home) and securing the supply of materials that are essential to combating the virus.

Management has determined that there is no material uncertainty that casts doubt on the entity's ability to continue as a going concern. It expects that COVID 19 might have some impact, though not significant, on the performance of revenue collections, and service delivery.

52. Unauthorised expenditure

Opening balance as previously reported	717,849,124	486,915,213
Opening balance as restated	717,849,124	486,915,213
Add: Expenditure identified - current	158,365,190	230,933,911
Closing balance	876,214,314	717,849,124

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

Non-cash	16,010,978	224,099,495
Cash	142,354,213	6,834,416
	158,365,191	230,933,911

Unauthorised expenditure: Budget overspending – per municipal department:

Finance	24,535,321	41,082,681
Community and social development	26,684,727	9,144,353
Technical	91,866,804	180,706,877
Planning & development	282,009	-
Executive and council	14,996,329	-
	158,365,190	230,933,911

Recoverability steps taken/criminal proceedings

There are no recoverability steps taken / criminal proceedings which have been instituted since the unauthorised expenditure is yet to be investigated by MPAC.

Disciplinary steps taken/criminal proceedings

There are neither disciplinary nor criminal proceedings taken since MPAC is yet to conduct its investigations.

Recoverability of unauthorised expenditure

The unauthorised expenditure incurred during the period is yet to be taken to MPAC for determination if any amount is recoverable.

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53. Fruitless and wasteful expenditure		
Opening balance as previously reported	37,496,775	30,659,258
Correction of prior period error	7,328,384	-
Opening balance as restated	44,825,159	30,659,258
Add: Expenditure identified - current	1,126,447	6,837,517
Closing balance	45,951,606	37,496,775

The correction of prior period error relates to the repeated costs on Sandbank Project. The initial works done by the Initial Contractor were demolished and certain aspects of the project were repeated. These costs were deemed Fruitless and Wasteful expenditure.

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53. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Interest and penalties		1,126,447	6,837,517

Amounts recoverable

No amounts were recovered

Recoverability steps taken/criminal proceedings

There were no criminal proceedings taken.

Disciplinary steps taken/criminal proceedings

The interest and penalties incurred were due to late payments on SARS PAYE and VAT. The late payments were due to cash flow challenges faced by the municipality. None of the officials of the municipality benefited from such transactions. For that reason, there are neither disciplinary nor criminal proceedings taken against the municipal officials.

54. Irregular expenditure

Opening balance as previously reported	105,794,667	62,749,646
Opening balance as restated	105,794,667	62,749,646
Add: Irregular Expenditure - current	12,886,791	43,045,021
Closing balance	118,681,458	105,794,667

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54. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Non compliance with SCM regulations		12,886,791	43,045,021

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54. Irregular expenditure (continued)

Amounts recoverable

The amounts identified as irregular expenditure are yet to be tabled before the MPAC for investigations to determine if any amount is recoverable from municipal officials.

Recoverability steps taken/criminal proceedings

There are no recoverability steps taken /criminal proceedings since the irregular expenditure is yet to be tabled before council for investigations.

Disciplinary steps taken/criminal proceedings

There are no disciplinary /criminal proceedings since the irregular expenditure is yet to be tabled before council for investigations.

Provide information

55. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	483,205	45,211	528,416
Trade and other receivables from exchange transactions	-	915,359	915,359
Consumer debtors	-	25,567,596	25,567,596
Cash and cash equivalents	-	7,738,001	7,738,001
	483,205	34,266,167	34,749,372

Financial liabilities

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Figures in Rand	2021	2020
55. Financial instruments disclosure (continued)		
	At amortised cost	Total
Other financial liabilities	2,305,630	2,305,630
Trade and other payables from exchange transactions	521,721,275	521,721,275
Consumer deposits	4,020,608	4,020,608
	528,047,513	528,047,513

2020

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	440,279	44,879	485,158
Trade and other receivables from exchange transactions	-	855,798	855,798
Consumer debtors	-	54,483,108	54,483,108
Cash and cash equivalents	-	4,503,264	4,503,264
	440,279	59,887,049	60,327,328

Financial liabilities

	At amortised cost	Total
Finance Lease Obligation	5,000,000	5,000,000
Trade and other payables from exchange transactions	411,163,365	411,163,365
Consumer deposits	3,778,894	3,778,894
Other liability 2	8,954,573	8,954,573
	428,896,832	428,896,832

56. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	199,158,951	85,065,376
• Community assets	2,094,489	2,094,489
	201,253,440	87,159,865

Total capital commitments

Already contracted for but not provided for	201,253,440	87,159,865
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Authorised operational expenditure

This committed expenditure relates to plant and equipment and will be financed by Transfers from National Treasury and municipality's own resources.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	-	2,505,219
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Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

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57. Contingencies

Contingencies as at 30 June 2021

NAME OF CLAIMANT	RESPONSIBLE PERSON/DEPARTMENT INTERNALLY.	SUMMARY OF CASE AND PROGRESS	RESPONSIBLE LAW FIRM OR APPOINTED FIRM	FILE NUMBER	AMOUNT CLAIMED
1. Bareki Consulting (Pty) Ltd	Legal Services Division	The plaintiff is claiming damages for work done. They allege that they compiled a supply chain management system and they were not paid for the work done.	TMN Kgomo & Associates Inc.	19148/2011/WDM	Claim A R 761 383.10 Claim B R 1 169 904.48
2. Owethu Mkhondo cc Development of middle-class houses Trading CC	Legal Services Division	The Plaintiff is suing the Municipality for R 21 277 570.63 for alleged breach of contract	TNM Kgomo & Associates Inc.	46047/2014/WDM	R 21 277 570.63
3. Pamoja Technologies	Legal Services Division	The plaintiff is suing the Municipality the sum of R 1 396 370.67 for alleged breach of contract by the Municipality.	TNM Kgomo & Associates Incorporated	15597/11/WDM	R 1 396 370.67
4. Busamasi Investments cc	Legal Services Division	A claim was instituted by the plaintiff following an alleged breach of contract by the municipality.	TNM Kgomo & Associates Incorporated	47483/2011/WDM	R 558 842.62
5. Rethuseng Live Line Services cc.	Legal Services Division	Summons were issued by the plaintiff against two defendants. The Municipality is cited as the second defendant. The plaintiff is claiming from the first defendant an amount of R 4 846 015.42 and alternatively R 3 249 043.64 from the second defendant.	TNM Kgomo & Associates Incorporated.	40779/2014/WDM	R 4 846 015.42 Alternatively R 3 249 043.64

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57. Contingencies (continued)

6. RP & H Developers	Legal Services Division	The plaintiff issued summons against the Municipality for an alleged breach of agreement regarding the provision of Bulk services in respect of the Welkgekozen Country Estate	TNM Kgomo & Associates Inc.	2020/BSX	R 2 147 717.68
7. Concert Masango and 2 others	Legal Services Division	The Municipality has lodged a review application in the Johannesburg Labour Court to have an arbitration award issued by first respondent be reviewed and set aside	TMN Kgomo & Associates Inc.	2020/BSX	R105 030.24
8. Mr LP De Beer	Legal Service Division	The Plaintiff has served Summons against the Municipality stating that he has incurred damages due to a motor vehicle accident. The accident occurred as a result of the road and storm water drain where he was travelling	Mohlala Attorneys	20751/2015/WDM	R470 000.00
9. Bicacon (Pty) Ltd	Legal Services	The Municipality received summons from Bicacon (Pty) Ltd seeking relief in the amount of R 5 319 140.62, as the plaintiffs are claiming that the Mkhondo Local Municipality unlawfully terminated their contract, the plaintiffs were appointed to provide Engineering Consulting Services for the construction of Driefontein to Iswepe and Hartebeesfontein Water Balkline by Mega, which ceded their rights to the Municipality.	Mohlala Attorneys	87155/15/WDM	R 5319140.62
10. Phanda (PTY) LTD Repairs Maintenance of HDV'S & Yellow Metal Fleet.	Legal Services	The Municipality received notice and summons claiming the R736 975.99 for services rendered as per SLA.	MT Silinda	5291/2016/BSX	R736 975.99

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57. Contingencies (continued)

<p>11. EPH Security And Services</p>	<p>Legal Services</p>	<p>The Municipality received notice and summons claiming the R5 277 870.57 million for the entire contract and R1 616 is claim</p>	<p>Mthunzi Madonsela Attorneys</p>	<p>331/2017/BSX</p>	<p>Claim 1: R5 277 870.57 Claim 2: R1 616 267.76</p>
<p>12. M J S Mabuza</p>	<p>Legal Services</p>	<p>The Municipality received notice and summons claiming the R2.2 million to compensate the claimant for loss suffered as the result after his contract has been terminated</p>	<p>Mthunzi Madonsela Attorneys</p>	<p>2017/BSX</p>	<p>R2.2 Million</p>
<p>13. Ideal matter ELETRICIT Y Pre-paid PTY LTD</p>	<p>Legal Service</p>	<p>The Municipality sent a letter to ideal Prepaid stipulating the Municipality's intentions to rescind its decision of entering into a contract with them. Thereafter we instructed our attorneys to do an application for review in this matter.</p>	<p>Mthunzi Madonsela Attorneys</p>	<p>2017/BSX</p>	<p>Reviewing Contract</p>
<p>14. Ideal prepaid Action matter</p>	<p>Legal Services</p>	<p>Ideal Prepaid has instituted legal Actions against the Municipality, after the Municipality terminated their contract and filed the review application</p>	<p>Madonsela Mthunzi Inc. Attorneys</p>	<p>732/2018/BSX</p>	<p>R32 089 340.00</p>
<p>15. Mr Jacoba/Mu nicipality</p>	<p>Legal Services</p>	<p>The Municipality received summons claiming R8568.90.Plaintiff hit the pothole and his motor vehicle got damages</p>	<p>Mthunzi Madonsela Attorneys</p>	<p>230/2017/BSX</p>	<p>R8568.90</p>
<p>16. Shatadi Auctioneer s</p>	<p>Legal Service</p>	<p>The Municipality appointed Mthunzi Madonsela Attorneys to assist in recovering monies which were never received by the Municipality after an auction was held.</p>	<p>Mthunzi Madonsela Attorneys</p>	<p>2018/BSX</p>	<p>R1.4 Million Plus interest</p>

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57. Contingencies (continued)

17. Mr Solomon Jabulani Gomu Mnisi	Legal Service	The Mkhondo Local Municipality received summons from the Plaintiff alleging that he had been arrested and detained by the traffic officers of the Mkhondo Local Municipality, he is therefore claiming an amount of R 850 000.00	Mohlala Attorneys	8550/2017/BSX	R850 000.00
18. Mr Vorster Andries Wilhelmus jacobus	Legal Services	The Plaintiff is suing the Mkhondo Local Municipality in the amount of R 25 000.00 for a once off gratuity equal to three months pensionable salary, the Plaintiff was a councillor at the Municipality.	Mohlala Attorneys	367/2015/BSX	R25 000.00
19. KVN Business Services	Legal Services	Plaintiff is suing the Municipality for R4 633 062.50 plus interest at the rate of 10.25% per annum from the date of service of summons to date of the payment, in respect of the breach of contract between the parties and the matter is before the Regional Division of Mpumalanga held at Elukwatini	Mohlala Attorneys	01/2020/BSX	R4 633 062.50
20. Retirement Fund//Municipality	Legal Services	The Municipality received an urgent application seeking compliance with the provisions of section 13 A of the PFA application is brought in two stages Fund seeks the order into S 13 A (2) of PFA also an order compelling the Municipality to make payment to the fund of all the outstanding contributions payable to the fund	Mthunzi Madonsela Attorneys	1781/2018/BSX	Specific Performance and monies amounting to as per LOD R4 177 046.31
21. Jabulani Gama	Legal Services	The Plaintiff instituted action proceedings against the Municipality for damages incurred by the plaintiff after he collided with a pothole	Madonsela Mthumzi Inc. Attorneys	26/2019/BSX	R85 852.83

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57. Contingencies (continued)

22. Graftcorp International (PTY) LTD	Legal Services Division	The Municipality received summons claiming R1 129 421 .34 for the work done.	Dalomo Attorneys	3397/2020 BSX	R1 129 421.34
23. Vorster & Vorster	Legal Division	Municipality received the notice of motion alleging that there are unlawful activities conducted at Portion 61 of the farm Welgekozen 514 IT, Mkhondo. The applicant wants the Municipality to enforce the provisions of section 178 of the Mkhondo Local Municipality	Madonsela Attorney	2039/2020 BSX	Specific Performance
24. IMATU obo Malinga and others	Legal Division	The arbitration award was made against and serve to the Municipality The Municipality wishes to review J720/2020the application. The	Madonsela Attorney	J720/2020 BSX	Labour Matter Claim amount : R742 776.00
25. Zarafusion (PTY) LTD	Legal Division	The Municipality received summons claiming R5 450 156, 34 for the work done (Performed work i.e fencing, electrical and main connections and road works and sewerage upgrade.	TMN Kgomo & Associates Inc	2039/2020 BSX	R5 450 156, 34 alternatively R 4 298 540.54

Contingent assets

The Municipality is suing Ideal Prepaid for Electricity Prepaid sales sold through Ideal Prepaid vendors but not remitted to the Municipality. The amount of such revenue is unknown as the Service Provider refused to furnish the Municipality with records of sales made during the year. According to our legal attorneys, they have made an application compelling Ideal Prepaid to furnish us with statements to enable us to quantify losses and recover such monies.

The Municipality is suing Shatadi Auctioneers for the recovery of monies which were never received by the Municipality after an auction was held. The amount claimed is R1 474 705.84. The Municipality had sent a letter of demand and the Defendant has confirmed its indebtedness to the Municipality. A settlement agreement was reached with the Defendant in July 2018 wherein

the Defendant agreed to pay in three instalments starting from August 2018. The Defendant did not honour the agreement and we proceeded to issue summons and matter is defended. The matter is handled by Mthunzi Madonsela Attorneys.

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58. Additional disclosure in terms of Municipal Finance Management Act

Other material losses

Material losses

2021

Electricity losses for the current year amounted to 45% i.e. R62,045,292. These losses comprise of technical and nontechnical losses. Technical losses, being losses within the network which are inherent in any network. Non-technical losses, being theft, faults, billing errors etc. Attempts are currently being made to reduce these non-technical losses. Nonrevenue water i.e. non billed water amounted to 96%% i.e. R45,111,258. Fifty six percent of these losses can be accounted for in terms of the National Guidelines for non revenue water. 27% of these losses cannot be accounted for mainly due to the non-metering of this water. This problem is currently being addressed whereby additional meters are being installed. Additional text

2020

Electricity losses for the current year amounted to 38% i.e. R54,196,322. These losses comprise of technical and nontechnical losses. Technical losses, being losses within the network which are inherent in any network. Non-technical losses, being theft, faults, billing errors etc. Attempts are currently being made to reduce these non-technical losses. Nonrevenue water i.e. non billed water amounted to 46%% i.e. R1 873 021. Fifty six percent of these losses can be accounted for in terms of the National Guidelines for non revenue water. 27% of these losses cannot be accounted for mainly due to the non-metering of this water. This problem is currently being addressed whereby additional meters are being installed. Additional text

Audit fees

Opening balance	13,364,979	5,596,207
Current year subscription / fee	6,112,591	6,292,023
VAT raised	1,004,237	1,034,856
Interest	264,730	441,893
Amount paid	(12,171,428)	-
	8,575,109	13,364,979

PAYE and UIF

Opening balance	10,661,490	4,838,778
Current year subscription / fee	33,849,976	31,468,946
Opening balance adjustment	(5,040,971)	-
Interest and penalties	-	2,559,556
Amount paid	(36,501,278)	(28,205,790)
	2,969,217	10,661,490

Pension and Medical Aid Deductions

Opening balance	2,225,666	3,413,818
Current year subscription / fee	50,921,358	44,871,016
Amount paid - current year	(50,246,536)	(46,059,168)
	2,900,488	2,225,666

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

VAT

VAT receivable	115,760,791	221,621,000
VAT payable	(115,932,287)	(229,921,082)
	(171,496)	(8,300,082)

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

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

Councillors' arrear consumer accounts

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

30 June, 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. Wilson RJA	2,271	-	2,271
Cllr. Mthethwa FC	1,036	-	1,036
Cllr. Ntsakala DM	13	-	13
Cllr. Makhathini JP	1,042	24	1,066
Cllr. Mchunu BJ	460	-	460
Cllr. Mahlobo SC	373	391	764
Cllr. Ngobese DL	3,736	2,375	6,111
Cllr. Motha VM	8,198	1,015	9,213
Cllr. Yende SZ	710	19	729
Cllr. Khumalo BM	565	-	565
Cllr. Nkosi TB	65	-	65
	18,469	3,824	22,293

30 June, 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. Wilson RJI	2,123	-	2,123
Cllr. Mthethwa FC	92	-	92
Cllr. Nthsakala DM	282	-	282
Cllr. Mkhathini JP	413	-	413
Cllr. Mchunu BJ	1,256	18	1,274
Cllr. Mahlobo SC	1,435	-	1,435
Cllr. Ngobese DL	3,131	-	3,131
Cllr. Motha VM	4,692	-	4,692
Cllr. Yende SZ	692	-	692
Cllr. Makhathini JP	2,903	-	2,903
Cllr. Ntuki	775	-	775
	17,794	18	17,812

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