



Nkomazi Municipality

Nkomazi Local Municipality
Annual Financial Statements
for the year ended 30 June 2021

Audited
By
2022-02-08
Auditor General South Africa
Mpumalanga Business Unit

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity	Local municipality
Nature of business and principal activities	Providing municipal services
Mayoral committee	
Executive Mayor	Mkhatshwa JM
Speaker	Mashele SJ
Chief whip	Ngcane EZ
Other mayoral committee members	Mabuza S (MMC - Budget and Treasury) Hlophe NC (MMC - Planning and Development) Mahlalela SS (MMC - Corporate Services) Mthombo TM (MMC - Community and Social Services) Mziako PM (MMC - Infrastructure)
Councillors	Dikiza GK Khoza DM Khoza MR Dlamini NG Dlamini-Zitha SP Lubisi MT Lubisi NF Luphoko PC Mabuza VE Magagula BS Magagula PP Magagula FK Mahlalela MM Malaza BB Manzini NE Maphanga NP Mashaba CT Mashele RN Masilela TE Mathonsi SS Mavuso DD Mazibuko DG Mhlongo BL Mkhatshwa IP Mkhatshwa SL Mkhonto DG Mndawe SO Mogibe GN Moosa VC Motha CM Mtetwa JM Ndlovu PF Ngcane TV Ngomane FN Ngomane LP Ngomane MP Ngomane GB Ngomane SW



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General Information

	Nkala KP Nkalanga ML Nkosi JM Nkosi TS Nyambi VT Preddy MMS Shabangu JC Shisane TC Shongwe BC Shongwe LN Shongwe MD Shongwe NF Shungube ZI Sibiya GP Siboza JT Sithole SH Thumbathi NP Tiwane BM Vuma LT
Grading of local authority	4
Accounting Officer	Ngwenya M D
Chief Finance Officer (CFO)	Thobela T S
Business address	9 Park Street Civic centre Malelane 1320
Postal address	Private Bag X101 Malelane 1320
Bankers	Standard Bank Nelspruit
Auditors	The Auditor General
Demarcation code	MP324



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Acronyms

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
ASB	Accounting Standards Board
GRAP	Generally Recognised Accounting Practice
AFS	Annual financial statements
IAS	International Accounting Standards
SOFP	Statement of Financial Position
SOCINA	Statement of Changes in Net Assets
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
PPE	Property, plant and equipment
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers
mSCOA	Municipal Standard Chart of Accounts
AP	Accounting Policy



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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 will be 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) and the MFMA, 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 accounting officer is responsible for the preparation of these annual financial statements, which are set out on the attached pages, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the notes of the attached annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

The annual financial statements set out on pages 6 to 81, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021.

Ngwenya M D
Accounting officer



Nkomazi Local Municipality

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 a medium capacity municipality, engaged in providing municipal services. It delivers basic services such as water, electricity and refuse removal services to the Malelane, Komatipoort, Marloth Park and Hectorspruit region. The municipality provides free water and refuse removal services to rural areas within the local sphere of Nkomazi.

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

Surplus of the municipality was R 140 272 883 (2020: surplus R 229 280 006).

2. Going concern

We draw your attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 2 714 894 430 and that the municipality's total assets exceed its liabilities by R 2 714 894 430.

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.

Due to the rapid development of the COVID-19 pandemic the South African government declared a state of disaster and placed the entire country under a national lockdown. The resulting impact of the virus and the subsequent lockdown of the country on the operations of the municipality severely affected the municipality's ability to render basic services and contain the spread of the virus effectively. However, through implementing strict measurements and proper planning of activities the municipality was able to continue rendering effective basic services to the communities.

The curtailing of economic activities however did have a negative effect on the financial results of the municipality during the period under review

3. Subsequent events

The accounting officer is not aware of any other matter or circumstance arising since the end of the financial year which requires adjustment or disclosure in the annual financial statements, except for the event disclosed under the note "Events after the reporting date".

4. Accounting policies

The annual financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board, in accordance with Section 122(3) of the MFMA. The impact on the results of the municipality in adopting the above policies is reflected in note 1 to the financial statement.

5. Accounting Officer

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

Name	Nationality
Ngwenya M D	South African

6. Auditors

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



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

	Note(s)	2021 R	2020 Restated* R
Assets			
Current Assets			
Operating lease asset	8	-	11 956
Inventories	10	42 469 025	43 535 534
Receivables from exchange transactions	11	7 956 866	2 837 973
Receivables from non-exchange transactions	12	114 553 339	100 707 655
VAT receivable	13	47 740 182	57 459 165
Consumer debtors	14	39 890 617	39 724 975
Cash and cash equivalents	15	246 618 418	218 737 222
		499 228 447	463 014 480
Non-Current Assets			
Investment property	3	10 997 356	11 253 196
Property, plant and equipment	4	2 487 074 807	2 330 767 149
Intangible assets	5	574 251	733 226
Heritage assets	6	1 621 944	1 621 944
Receivables from exchange transactions	11	23 301 388	21 535 773
		2 523 569 746	2 365 911 288
Total Assets		3 022 798 193	2 828 925 768
Liabilities			
Current Liabilities			
Operating lease liability	8	76 839	151 732
Finance lease obligation	16	-	529 993
Unspent conditional grants and receipts	17	1 693 788	189 044
Provisions	18	51 077 157	35 513 617
Payables from exchange transactions	19	188 217 348	168 052 769
		241 065 132	204 437 155
Non-Current Liabilities			
Operating lease liability	8	-	76 839
Employee benefit obligation	9	41 211 122	32 615 154
Provisions	18	25 627 509	17 175 080
		66 838 631	49 867 073
Total Liabilities		307 903 763	254 304 228
Net Assets		2 714 894 430	2 574 621 540
Accumulated surplus		2 714 894 430	2 574 621 540



* See Note 49

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

	Note(s)	2021 R	2020 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	20	154 903 299	149 324 291
Rental of facilities and equipment	21	4 233 087	4 357 740
Interest received (trading)	22	7 341 033	7 691 111
Agency services	23	-	1 362 415
Licences and permits	24	34 609	967 633
Recoveries	26	29 958	69 448
Other income	26	5 667 324	3 483 890
Interest received - external	27	15 240 962	24 782 281
Gain on disposal of assets		-	171 963
Actuarial gains		-	8 314 846
Inventories reversal		-	177 285
Total revenue from exchange transactions		187 450 272	200 702 903
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	111 628 565	102 327 280
Transfer revenue			
Government grants & subsidies	29	1 010 831 506	876 866 570
Public contributions and donations	30	-	7 570 917
Fines, Penalties and Forfeits	25	3 727 286	8 637 233
Total revenue from non-exchange transactions		1 126 187 357	995 402 000
Total revenue		1 313 637 629	1 196 104 903
Expenditure			
Employee related costs	31	(583 684 094)	(427 427 644)
Remuneration of councillors	32	(33 062 675)	(33 336 170)
Depreciation and amortisation	33	(78 116 964)	(72 325 646)
Impairment loss	34	(12 666 572)	(7 981 742)
Finance costs	37	(664 160)	(895 264)
Lease rentals on operating lease	35	(6 835 144)	(5 019 115)
Debt Impairment	38	(8 338 950)	(8 099 240)
Bulk purchases	39	(96 910 918)	(92 259 300)
Contracted services	40	(167 227 981)	(135 526 465)
Transfers and Subsidies	36	(6 591 653)	(23 420 201)
Loss on disposal of assets		(7 057 572)	-
Actuarial losses		(7 314 090)	-
Inventories losses/write-downs		(189 900)	-
Operational expenditure	41	(164 704 073)	(160 534 109)
Total expenditure		(1 173 364 746)	(966 824 896)
Surplus for the year		140 272 883	229 280 007

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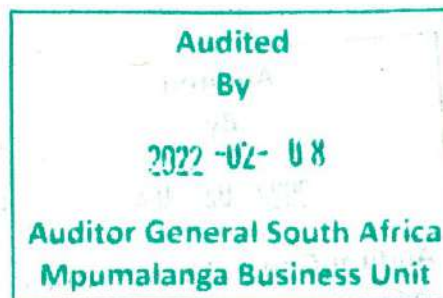
* See Note 49

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2019	2 343 949 473	2 343 949 473
Changes in net assets		
Surplus for the year	229 280 007	229 280 007
Total changes	229 280 007	229 280 007
Opening balance as previously reported	2 573 229 487	2 573 229 487
Adjustments		
Correction of errors	1 392 060	1 392 060
Restated* Balance at 01 July 2020 as restated*	2 574 621 547	2 574 621 547
Changes in net assets		
Surplus for the year	140 272 883	140 272 883
Total changes	140 272 883	140 272 883
Balance at 30 June 2021	2 714 894 430	2 714 894 430



* See Note 49

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

	Note(s)	2021 R	2020 Restated* R
Cash flows from operating activities			
Receipts			
Property rates and other		268 473 182	235 608 192
Grants		1 010 831 505	876 866 568
Interest income		15 240 962	24 782 281
		<u>1 294 545 649</u>	<u>1 137 257 041</u>
Payments			
Employee costs		(616 746 769)	(460 848 528)
Suppliers		(394 989 574)	(388 854 352)
Finance costs		(664 160)	(895 264)
		<u>(1 012 400 503)</u>	<u>(850 598 144)</u>
Net cash flows from operating activities	43	<u>282 145 146</u>	<u>286 658 897</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(253 668 279)	(272 609 547)
Proceeds from sale of property, plant and equipment		-	1 129 233
Purchase of other intangible assets	5	(65 678)	(69 057)
Net cash flows from investing activities		<u>(253 733 957)</u>	<u>(271 549 371)</u>
Cash flows from financing activities			
Finance lease payments		(529 993)	(2 194 378)
Net increase/(decrease) in cash and cash equivalents		<u>27 881 196</u>	<u>12 915 148</u>
Cash and cash equivalents at the beginning of the year		218 737 222	205 822 074
Cash and cash equivalents at the end of the year	15	<u>246 618 418</u>	<u>218 737 222</u>

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* See Note 49

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Annual Financial Statements for the year ended 30 June 2021

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
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	169 735 950	(2 770 543)	166 965 407	154 903 299	(12 062 108)	58
Rental of facilities and equipment	4 430 272	1 108	4 431 380	4 233 087	(198 293)	58
Interest received (trading)	8 309 817	(784 421)	7 525 396	7 341 033	(184 363)	58
Licences and permits	1 232 317	-	1 232 317	34 609	(1 197 708)	58
Recoveries	71 619	(58 531)	13 088	29 958	16 870	58
Other income	3 510 970	1 433 515	4 944 485	5 667 324	722 839	58
Interest received - external	33 913 337	-	33 913 337	15 240 962	(18 672 375)	58
Total revenue from exchange transactions	221 204 282	(2 178 872)	219 025 410	187 450 272	(31 575 138)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	105 073 250	2 453 822	107 527 072	111 628 565	4 101 493	58
Transfer revenue						
Government grants & subsidies	887 879 251	123 884 999	1 011 764 250	1 010 831 506	(932 744)	
Fines, Penalties and Forfeits	16 711 946	852 226	17 564 172	3 727 286	(13 836 886)	58
Total revenue from non-exchange transactions	1 009 664 447	127 191 047	1 136 855 494	1 126 187 357	(10 668 137)	
Total revenue	1 230 868 729	125 012 175	1 355 880 904	1 313 637 629	(42 243 275)	
Expenditure						
Personnel	(428 351 710)	(79 536 618)	(507 888 328)	(583 684 094)	(75 795 766)	58
Remuneration of councillors	(28 067 787)	(5 839 467)	(33 907 254)	(33 062 675)	844 579	
Depreciation and amortisation	(74 626 090)	-	(74 626 090)	(78 116 964)	(3 490 874)	
Impairment loss/ Reversal of impairments	-	-	-	(12 666 572)	(12 666 572)	58
Finance costs	(516 834)	-	(516 834)	(664 160)	(147 326)	58
Lease rentals on operating lease	(6 884 507)	-	(6 884 507)	(6 835 144)	49 363	
Debt Impairment	(22 754 689)	5 000 000	(17 754 689)	(8 338 950)	9 415 739	58
Bulk purchases	(93 963 572)	1 000 000	(92 963 572)	(96 910 918)	(3 947 346)	
Contracted Services	(180 569 921)	(6 024 345)	(186 594 266)	(167 227 981)	19 366 285	58
Transfers and Subsidies	(17 405 632)	10 441 573	(6 964 059)	(6 591 653)	372 406	
General Expenses	(172 274 584)	5 217 194	(167 057 390)	(164 704 073)	2 353 317	
Total expenditure	(1 025 415 326)	(69 741 663)	(1 095 156 989)	(1 158 803 184)	(63 646 195)	
Operating surplus	205 453 403	55 270 512	260 723 915	154 834 445	(105 889 470)	
Gain on disposal of assets	-	-	-	(7 057 572)	(7 057 572)	
Actuarial loss	-	-	-	(7 314 090)	(7 314 090)	
Inventories losses/write-downs	-	-	-	(189 900)	(189 900)	
Surplus before taxation	205 453 403	55 270 512	260 723 915	140 272 883	(120 451 032)	

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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
	R	R	R	R	R	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	205 453 403	55 270 512	260 723 915	140 272 883	(120 451 032)	

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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
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Operating lease asset	55 662	(43 706)	11 956	-	(11 956)	58
Inventories	6 070 855	(35 376)	6 035 479	42 469 025	36 433 546	58
Receivables from exchange transactions	-	986 779	986 779	7 956 866	6 970 087	58
Receivables from non-exchange transactions	76 280 515	29 712 456	105 992 971	114 553 339	8 560 368	58
VAT receivable	64 447 368	10 619 367	75 066 735	47 740 182	(27 326 553)	58
Consumer debtors	40 710 383	9 979 939	50 690 322	39 890 617	(10 799 705)	58
Cash and cash equivalents	174 655 201	(29 643 310)	145 011 891	246 618 418	101 606 527	58
	362 219 984	21 576 149	383 796 133	499 228 447	115 432 314	
Non-Current Assets						
Investment property	14 784 194	(3 642 125)	11 142 069	10 997 356	(144 713)	
Property, plant and equipment	2 582 721 631	24 642 527	2 607 364 158	2 487 074 807	(120 289 351)	58
Intangible assets	2 133 292	(295 066)	1 838 226	574 251	(1 263 975)	58
Heritage assets	1 621 944	-	1 621 944	1 621 944	-	
Receivables from exchange transactions	20 510 006	1 060 257	21 570 263	23 301 388	1 731 125	58
Operating lease asset	80 624	(80 624)	-	-	-	
	2 621 851 691	21 684 969	2 643 536 660	2 523 569 746	(119 966 914)	
Total Assets	2 984 071 675	43 261 118	3 027 332 793	3 022 798 193	(4 534 600)	
Liabilities						
Current Liabilities						
Finance lease obligation	2 387 144	(2 387 144)	-	-	-	
Operating lease liability	-	-	-	76 839	76 839	58
Unspent conditional grants and receipts	-	-	-	1 693 788	1 693 788	58
Provisions	52 026 992	(14 525 838)	37 501 154	51 077 157	13 576 003	58
Payables from exchange transactions	189 447 111	(100 084 571)	89 362 540	188 217 353	98 854 813	58
	243 861 247	(116 997 553)	126 863 694	241 065 137	114 201 443	
Non-Current Liabilities						
Finance lease obligation	576 550	(576 550)	-	-	-	
Operating lease liability	268 236	(39 666)	228 570	-	(228 570)	58
Employee benefit obligation	-	-	-	41 211 122	41 211 122	58
Provisions	27 708 836	19 734 579	47 443 415	25 627 509	(21 815 906)	58
	28 553 622	19 118 363	47 671 985	66 838 631	19 166 646	
Total Liabilities	272 414 869	(97 879 190)	174 535 679	307 903 768	132 368 089	
Net Assets	2 711 656 806	141 140 308	2 852 797 114	2 714 894 425	(137 902 689)	

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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
	R	R	R	R	R	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	2 711 656 806	141 140 308	2 852 797 114	2 714 894 425	(137 902 689)	

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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
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates and other	266 692 833	-	266 692 833	268 473 182	1 780 349	
Grants	943 126 791	-	943 126 791	1 010 831 505	67 704 714	
Interest income	67 826 674	-	67 826 674	15 240 962	(52 585 712)	58
	1 277 646 298	-	1 277 646 298	1 294 545 649	16 899 351	
Payments						
Suppliers and employees	(837 842 304)	-	(837 842 304)	(1 011 736 343)	(173 894 039)	58
Finance costs	-	-	-	(664 160)	(664 160)	58
	(837 842 304)	-	(837 842 304)	(1 012 400 503)	(174 558 199)	
Net cash flows from operating activities	439 803 994	-	439 803 994	282 145 146	(157 658 848)	
Cash flows from investing activities						
Capital assets	(328 727 811)	-	(328 727 811)	(253 733 957)	74 993 854	58
Cash flows from financing activities						
Finance lease payments	-	-	-	(529 993)	(529 993)	58
Net increase/(decrease) in cash and cash equivalents	111 076 183	-	111 076 183	27 881 196	(83 194 987)	
Cash and cash equivalents at the beginning of the year	57 791 344	(57 791 344)	-	218 737 222	218 737 222	58
Cash and cash equivalents at the end of the year	168 867 527	(57 791 344)	111 076 183	246 618 418	135 542 235	

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Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2021											
Financial Performance											
Property rates	105 073 250	2 453 822	107 527 072	-	-	107 527 072	111 628 565		4 101 493	104 %	106 %
Service charges	169 735 950	(2 770 543)	166 965 407	-	-	166 965 407	154 903 299		(12 062 108)	93 %	91 %
Investment revenue	33 913 337	-	33 913 337	-	-	33 913 337	15 240 962		(18 672 375)	45 %	45 %
Transfers recognised - operational	649 409 863	106 362 427	755 772 290	-	-	755 772 290	753 435 385		(2 336 905)	100 %	116 %
Other own revenue	34 266 941	1 443 897	35 710 838	-	-	35 710 838	21 033 297		(14 677 541)	59 %	61 %
Total revenue (excluding capital transfers and contributions)	992 399 341	107 489 603	1 099 888 944	-	-	1 099 888 944	1 056 241 508		(43 647 436)	96 %	106 %
Employee costs	(428 351 710)	(79 536 618)	(507 888 328)	-	-	(507 888 328)	(583 684 094)		(75 795 766)	115 %	136 %
Remuneration of councillors	(28 067 787)	(5 839 467)	(33 907 254)	-	-	(33 907 254)	(33 062 675)		844 579	98 %	118 %
Debt impairment	(22 754 689)	5 000 000	(17 754 689)	-	-	(17 754 689)	(8 338 950)		9 415 739	47 %	37 %
Depreciation and asset impairment	(74 626 090)	-	(74 626 090)	-	-	(74 626 090)	(90 783 536)		(16 157 446)	122 %	122 %
Finance charges	(516 834)	-	(516 834)	-	-	(516 834)	(664 160)		(147 326)	129 %	129 %
Materials and bulk purchases	(93 963 572)	1 000 000	(92 963 572)	-	-	(92 963 572)	(96 910 918)		(3 947 346)	104 %	103 %
Transfers and grants	(17 405 632)	10 441 573	(6 964 059)	-	-	(6 964 059)	(6 591 653)		372 406	95 %	38 %
Other expenditure	(359 729 012)	(807 151)	(360 536 163)	-	-	(360 536 163)	(353 328 760)		7 207 403	98 %	98 %
Total expenditure	(1 025 415 326)	(69 741 663)	(1 095 156 989)	-	-	(1 095 156 989)	(1 173 364 746)		(78 207 757)	107 %	114 %
Surplus/(Deficit)	(33 015 985)	37 747 940	4 731 955	-	-	4 731 955	(117 123 238)		(121 855 193)	(2 475)%	355 %

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Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

	Original budget		Budget adjustments (i.t.o. s28 and s31 of the MFMA)		Final adjustments budget		Shifting of funds (i.t.o. s31 of the MFMA)		Virement (i.t.o. council approved policy)		Final budget		Actual outcome		Unauthorised expenditure		Variance		Actual outcome as % of final budget		Actual outcome as % of original budget		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Transfers recognised - capital	238 469 388	17 522 572	255 991 960	-	-	255 991 960	-	-	-	257 396 119	-	-	1 404 159	101 %	108 %								
Surplus (Deficit) after capital transfers and contributions	205 453 403	55 270 512	260 723 915	-	-	260 723 915	-	-	-	140 272 881	-	-	(120 451 034)	54 %	68 %								
Surplus/(Deficit) for the year	205 453 403	55 270 512	260 723 915	-	-	260 723 915	-	-	-	140 272 881	-	-	(120 451 034)	54 %	68 %								
Capital expenditure and funds sources																							
Total capital expenditure	328 727 811	27 191 611	355 919 422	-	-	355 919 422	-	-	-	253 733 955	-	-	(102 185 467)	71 %	77 %								
Sources of capital funds																							
Transfers recognised - capital	243 416 385	9 091 611	252 507 996	-	-	252 507 996	-	-	-	228 414 640	-	-	(24 093 356)	90 %	94 %								
Internally generated funds	85 311 426	18 100 000	103 411 426	-	-	103 411 426	-	-	-	25 319 315	-	-	(78 092 111)	24 %	30 %								
Total sources of capital funds	328 727 811	27 191 611	355 919 422	-	-	355 919 422	-	-	-	253 733 955	-	-	(102 185 467)	71 %	77 %								

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

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, rounded off to the nearest tenth.

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

These accounting policies are consistent with the previous period.

1.1 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.

1.2 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:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality 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 interim loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

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 R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable service amounts of non-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 assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of 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. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including, together with economic factors such as 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 PPE and other assets

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

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

Effective interest rate

The municipality used an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows. Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of financial instruments, revenue and expenses at initial recognition. The adjustments requires a degree of estimation around the discount rates and periods used.

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.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rental 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.

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Investment property (continued)

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.

Cost model

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

Investment property for buildings are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of investment property have been assessed as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	10 - 30 years

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

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

1.4 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.

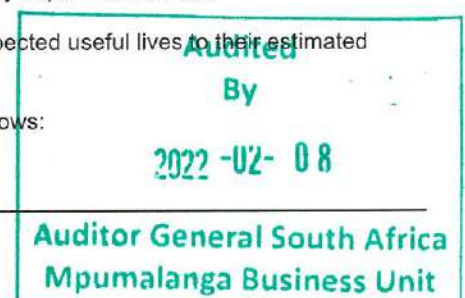
Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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.

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.

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



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land	N/A	Indefinite
Buildings	Straight line	5 -30 years
Plant and machinery	Straight line	2 - 15 years
Furniture and fixtures	Straight line	3 - 10 years
Motor vehicles	Straight line	4 - 15 years
IT equipment	Straight line	3 - 10 years
Infrastructure	Straight line	.
- Roads and storm water	Straight line	3 - 100 years
- Electricity	Straight line	3 - 80 years
- Water	Straight line	10 - 100 years
- Sewerage	Straight line	10 - 60 years
- Solid waste disposal	Straight line	5 - 55 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 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 discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

Game

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

Game assets is initially measured at cost

Where game asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition or game count.

Subsequent to initial recognition game assets are measured at cost less accumulated impairment losses.

The municipality derecognises game asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The municipality also derecognises game asset when the definition is longer met.

The gain or loss arising from the derecognition of game asset is determined as the difference between net disposal proceeds, if any, and the carrying amount of the game asset. Such difference is recognised in surplus or deficit when the game asset is derecognised.

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 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.

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.

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	2 - 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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

1.6 Heritage assets

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

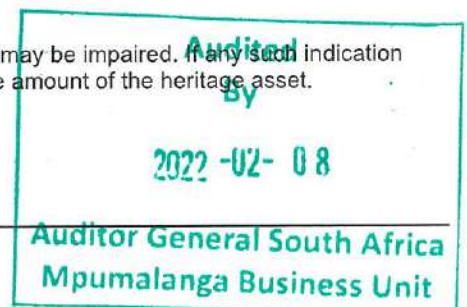
Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

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

Impairment

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



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.6 Heritage assets (continued)

Transfers

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

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

Derecognition

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

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

1.7 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.

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

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

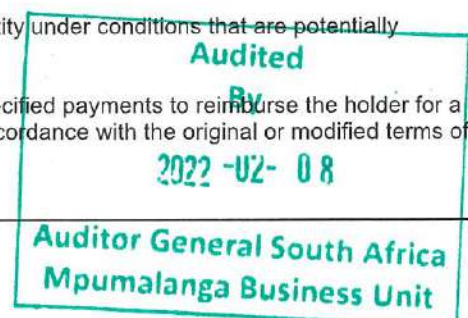
The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate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

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

A financial asset is:

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

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



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.7 Financial instruments (continued)

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

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

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

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

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

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

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at cost

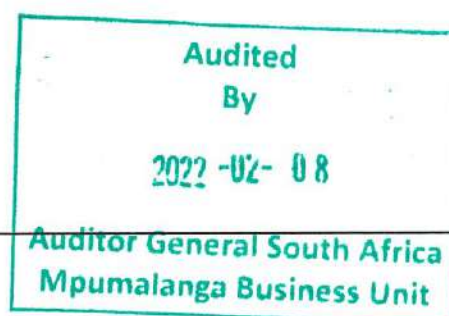
The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

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Accounting Policies

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

Financial liabilities

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

1.8 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.

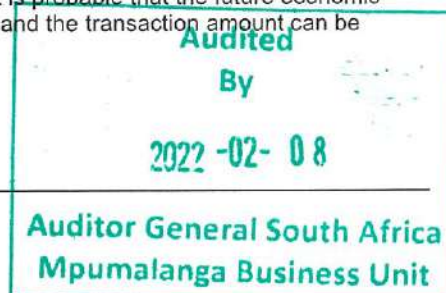
Recognition

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.



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.8 Statutory receivables (continued)

Subsequent measurement

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

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

Derecognition

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

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

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

1.9 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 interest rate implicit in the lease.

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 - lessor

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

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

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

Income for leases is disclosed under revenue in statement of changes in net assets.

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.9 Leases (continued)

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.

1.10 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 water inventories is assigned using the weighted average cost formula. The first in, first out (FIFO) cost formula is used for all other inventories having a similar nature and use to the municipality.

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

1.11 Impairment of cash-generating assets

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

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

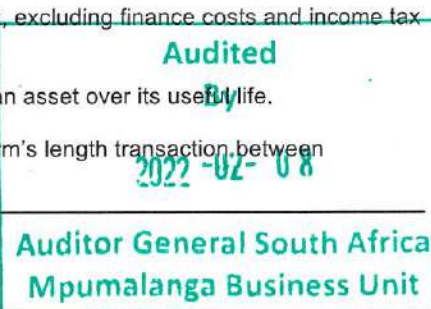
Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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

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

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

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



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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

Useful life is either:

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

Identification

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Reversal of impairment loss

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

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

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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Accounting Policies

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

Useful life is either:

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

Identification

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

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

Recognition and measurement

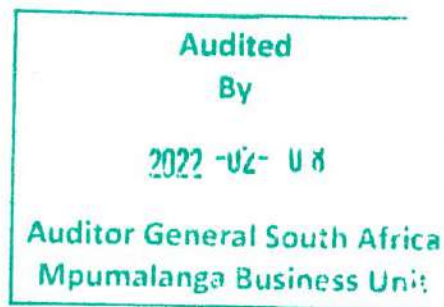
If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Reversal of an impairment loss

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

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



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Accounting Policies

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.

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 interim 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.

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

Post-employment benefits

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

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



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

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 recognise 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 recognise 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 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 measure 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.

The entity determine 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;

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Mpumalanga Business Unit

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Accounting Policies

1.13 Employee benefits (continued)

- 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 interim 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.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

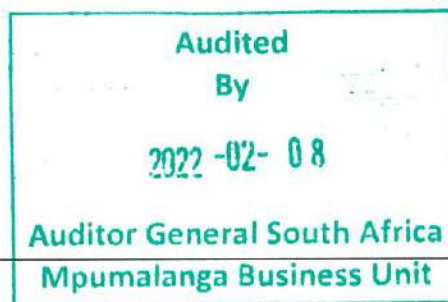
Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

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.



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.13 Employee benefits (continued)

Other post retirement obligations

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

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.

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.

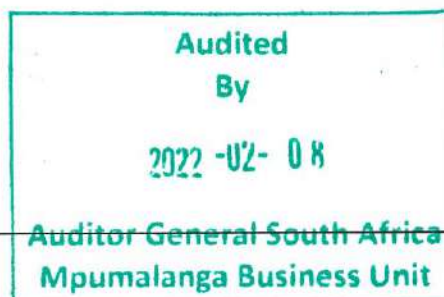
Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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).

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

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

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

1.15 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.

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

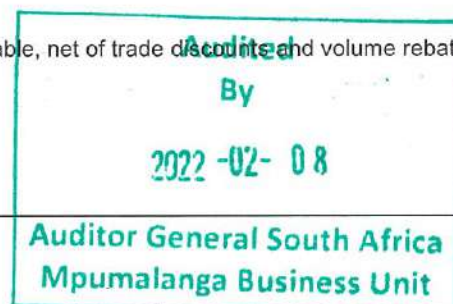
Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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.



Nkomazi Local Municipality

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Accounting Policies

1.16 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

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

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

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.

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, an 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.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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.

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

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.

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 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.

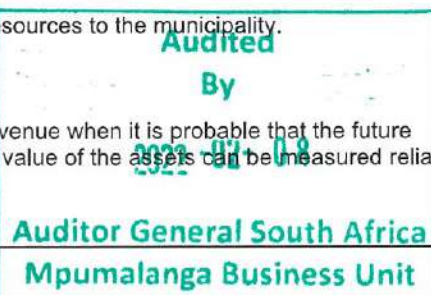
Fines

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.

Gifts and donations, including goods in-kind

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



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.18 Investment income

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

1.19 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.

1.20 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.20 Accounting by principals and agents (continued)

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

1.21 Offsetting

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

1.22 Comparative figures

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

1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of changes in net assets in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of changes in net assets.

1.24 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of changes in net assets in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of changes in net assets.

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Changes in Net Assets and where recovered, it is subsequently accounted for as revenue in the Statement of Changes in Net Assets.

1.26 Budget information

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

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

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

The approved budget covers the fiscal period from 2020/07/01 to 2023/06/30.

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

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

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.27 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.

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

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

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

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

1.28 Events after reporting date

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

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

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

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

1.29 Living and non-living resources

Living resources are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Agricultural activity is the management by an municipality of the biological transformation and harvest of biological assets for:

- (a) sale;
- (b) distribution at no charge or for a nominal charge; or
- (c) conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.

Biological transformation (for purposes of this Standard) comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

Recognition

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

Where the municipality is required in terms of legislation or similar means to manage a living resource, but it does not meet the definition of an asset because control of the resource cannot be demonstrated, relevant information are disclosed in the notes to the annual financial statements.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

Living and non-living resources (continued)

Where the municipality holds a living resource that meets the definition of an asset, but which does not meet the recognition criteria, relevant information are disclosed in the notes to the annual financial statements. When the information about the cost or fair value of the living resource becomes available, the municipality recognise, from that date, the living resource and apply the measurement principles.

Measurement at recognition

A living resource that qualifies for recognition as an asset is measured at its cost.

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

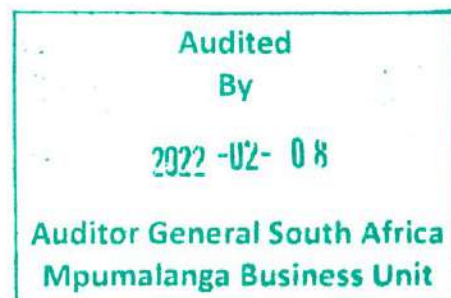
The cost of a living resource comprises its purchase price, including import duties and non-refundable purchase taxes, and any costs directly attributable to bringing the living resource to the location and condition necessary for it to be capable of operating in the manner intended by management.

1.30 Value Added Tax

The municipality accounts for Value Added Tax on payment basis.

1.31 Use of estimates

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



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

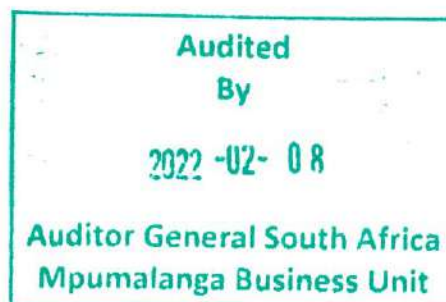
In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 34: Separate Financial StatementsGRAP 35: Consolidated Financial StatementsGRAP 36: Investments in Associates and Joint VenturesGRAP 37: Joint ArrangementsGRAP 38: Disclosure of Interests in Other EntitiesGRAP 110 (as amended 2016): Living and Non-living Resources	<ul style="list-style-type: none">01 April 202001 April 202001 April 202001 April 202001 April 202001 April 2020	<ul style="list-style-type: none">No material impactNo material impactNo material impactNo material impactNo material impactNo material impact

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 18 (as amended 2016): Segment Reporting	<ul style="list-style-type: none">01 April 2020	<ul style="list-style-type: none">Unlikely there will be a material impact



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

Figures in Rand

3. Investment property

	2021		2020			
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Investment property	15 544 854	(4 547 498)	10 997 356	15 544 854	(4 291 658)	11 253 196

Reconciliation of investment property - 2021

Investment property	Opening balance	11 253 196	Depreciation	(255 840)	Total	10 997 356
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Reconciliation of investment property - 2020

Investment property	Opening balance	14 090 187	Transfers	(2 703 500)	Impairments	(43 175)	Depreciation	(90 316)	Total	11 253 196
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Pledged as security

No investment property assets were pledged as security.

Impairment of assets

Investment property impaired
Investment property - buildings

43 175

Other disclosure

There were no operating costs incurred related to the investment property.

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

Figures in Rand

4. Property, plant and equipment

	2021		2020			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	194 090 276	(12 402 319)	181 687 957	194 090 276	(12 402 319)	181 687 957
Buildings	251 741 080	(83 025 990)	168 715 090	241 913 100	(72 711 354)	169 201 746
Plant and machinery	35 201 138	(17 831 456)	17 369 682	33 761 819	(15 126 630)	18 635 189
Furniture and fixtures	16 100 047	(12 700 515)	3 399 532	15 879 322	(11 639 324)	4 239 998
Motor vehicles	63 907 419	(35 736 069)	28 171 350	61 487 420	(32 366 210)	29 121 210
IT equipment	10 997 037	(8 176 889)	2 820 148	10 631 768	(7 042 534)	3 589 234
Infrastructure - Electricity	121 102 555	(34 173 027)	86 929 528	118 253 272	(29 717 405)	88 535 867
Infrastructure - Roads	519 406 329	(132 211 708)	387 194 621	481 037 293	(114 161 964)	366 875 329
Infrastructure - Storm water	60 943 734	(7 624 256)	53 319 476	60 943 734	(6 014 443)	54 929 291
Game	-	-	-	7 057 572	-	7 057 572
Infrastructure - Sewerage	18 766 079	(3 262 661)	15 503 418	18 766 079	(2 438 453)	16 327 626
Infrastructure - Solid waste	32 363 693	(22 890 628)	9 473 065	32 090 693	(22 702 489)	9 388 204
Infrastructure - Water	1 438 410 689	(366 281 165)	1 072 129 524	1 309 700 286	(319 690 517)	990 009 769
Capital work in progress	460 361 416	-	460 361 416	391 168 157	-	391 168 157
Total	3 223 391 492	(736 316 685)	2 487 074 807	2 976 780 791	(646 013 642)	2 330 767 149

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Donations / Additions non-cash	Disposals	Transfers from WIP	Transfers to WIP	Depreciation	Impairment loss	Total
Land	181 687 957	-	-	-	-	-	-	-	181 687 957
Buildings	169 201 746	17 369 939	-	-	(17 369 939)	-	(7 728 101)	(2 586 535)	168 715 090
Plant and machinery	18 635 189	1 439 319	-	-	-	-	(2 704 826)	-	17 369 682
Furniture and fixtures	4 239 998	220 725	-	-	-	-	(1 061 191)	-	3 399 532
Motor vehicles	29 121 210	2 420 000	-	-	-	-	(3 369 860)	-	28 171 350
IT equipment	3 589 234	365 270	-	-	-	-	(1 134 356)	-	2 820 148
Infrastructure - Electricity	88 535 867	2 849 283	-	-	-	-	(3 605 848)	(849 774)	86 929 528
Infrastructure - Roads	366 875 329	73 316 183	-	-	26 079 370	(61 026 516)	(14 150 478)	(3 899 267)	387 194 621
Infrastructure - Storm water	54 929 291	8 919 160	-	-	(8 919 160)	-	(1 193 537)	(416 278)	53 319 476
Game	7 057 572	-	312 414	(7 369 986)	-	-	-	-	-
Infrastructure - Sewerage	16 327 626	2 467 813	-	-	(2 467 813)	-	(326 841)	(497 367)	15 503 418
Infrastructure - Solid waste	9 388 204	273 000	-	-	-	-	(188 139)	-	9 473 065
Infrastructure - Water	990 009 769	144 027 587	-	-	111 457 224	(126 774 408)	(42 173 297)	(4 417 351)	1 072 129 524
Capital work in progress	391 168 157	-	-	-	(147 364 575)	216 557 834	-	-	460 361 416
	2 330 767 149	253 668 279	312 414	(7 369 986)	(1)	(2)	(77 636 474)	(12 666 572)	2 487 074 807

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Donations / Additions non-cash	Disposals	Transfers from WIP	Transfers to WIP	Transfers to inventory / Open bal adjustment	Depreciation	Impairment loss	Total
Land	208 218 942	-	7 500 000	-	-	-	(34 030 985)	-	-	181 687 957
Buildings	152 970 834	25 068 322	-	-	25 648 548	(25 068 322)	(8 965)	(7 605 152)	(1 803 519)	169 201 746
Plant and machinery	14 758 295	7 150 669	-	(945 042)	-	-	-	(2 306 741)	(21 992)	18 635 189
Furniture and fixtures	5 753 171	119 086	-	(30 445)	-	-	-	(1 559 522)	(42 292)	4 239 998
Motor vehicles	23 351 824	9 081 164	-	(593 114)	-	-	-	(2 718 664)	-	29 121 210
IT equipment	5 382 693	216 313	-	(399 275)	-	-	-	(1 594 467)	(16 030)	3 589 234
Infrastructure - Electricity	85 679 289	3 702 013	-	-	3 911 975	-	-	(3 861 949)	(895 461)	88 535 867
Infrastructure - Roads	274 252 181	68 354 441	-	-	88 098 682	(50 461 172)	(450 168)	(11 693 089)	(1 225 546)	366 875 329
Infrastructure - Storm water	56 289 522	-	-	-	-	-	-	(1 200 083)	(160 148)	54 929 291
Game	5 601 287	434 782	1 232 303	(210 800)	-	-	-	(332 826)	(182 123)	7 057 572
Infrastructure - Sewerage	16 842 575	3 543 558	-	-	-	(3 543 558)	-	(177 794)	(3 573)	16 327 626
Infrastructure - Solid waste	9 250 091	319 480	-	-	-	-	-	(38 825 850)	(3 587 883)	9 388 204
Infrastructure - Water	862 566 046	154 619 719	-	-	160 089 182	(144 851 445)	-	-	-	990 009 769
Capital work in progress	444 992 046	-	-	-	(277 748 386)	223 924 497	-	-	-	391 168 157
	2 165 908 796	272 609 547	8 732 303	(2 178 676)	1	-	(34 490 118)	(71 876 137)	(7 938 567)	2 330 767 149

Pledged as security

No property, plant and equipment were pledged as security.

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
4. Property, plant and equipment (continued)		
Impairment of assets		
Property, plant and equipment impaired		
Buildings	2 586 535	1 803 519
Infrastructure - Water	4 417 351	3 587 883
Infrastructure - Roads	3 899 267	1 225 546
Infrastructure - Storm water	416 278	160 148
Infrastructure - Sewerage	497 368	182 123
Infrastructure - Electricity	849 774	895 461
Infrastructure - Solid waste	-	3 573
Furniture and fixtures	-	42 292
Plant and machinery	-	21 992
IT equipment	-	16 030
	12 666 573	7 938 567

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Buildings	Total
Opening balance	343 924 672	47 243 485	391 168 157
Additions/capital expenditure	199 187 896	17 369 939	216 557 835
Transferred to completed items	(137 536 595)	(9 827 980)	(147 364 575)
	405 575 973	54 785 444	460 361 417

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Buildings	Total
Opening balance	397 168 335	47 823 710	444 992 045
Additions/capital expenditure	198 856 175	25 068 322	223 924 497
Adjustment - Transfer to completed items	(40 264 379)	(3 216 073)	(43 480 452)
Transferred to completed items	(211 835 459)	(22 432 474)	(234 267 933)
	343 924 672	47 243 485	391 168 157

Some of the work in progress construction projects are taking significantly longer period than expected due to shortage of supply of materials as a result of COVID-19 lockdown restrictions, heavy rains, community unrest and also delay with connection of Electricity by Eskom. The carrying value of the construction projects that are taking significantly longer period than expected is R269 189 344.

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	37 695 096	24 756 976
Inventory	9 124 249	11 241 432
General expenses	1 036 366	1 218 603
	47 855 711	37 217 011

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.



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
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5. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 247 600	(1 673 349)	574 251	2 181 923	(1 448 697)	733 226

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	733 226	65 678	(224 653)	574 251

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	1 034 264	69 057	(10 898)	(359 197)	733 226

Pledged as security

No intangible assets were pledged as security.

6. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	1 621 944	-	1 621 944	1 621 944	-	1 621 944

Reconciliation of heritage assets 2021

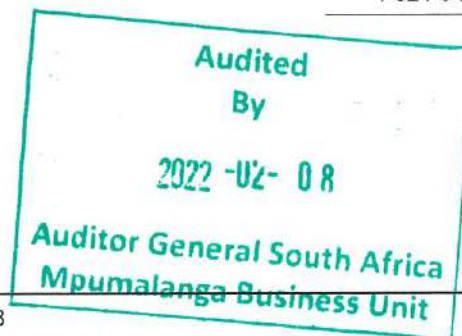
	Opening balance	Total
Historical monuments	1 621 944	1 621 944

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical monuments	1 621 944	1 621 944

Pledged as security

No heritage assets were pledged as security.



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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7. Living resources

Living resources not recognised

The municipality did not recognise the following living resources, due to the definition of asset not being met.

Type of living resources

Mammals

Birds

Key judgements and assumptions applied

The municipality holds the living resources to meet its mandate in acting as custodian to conserve the resources entrusted to it and to manage the environment where the resources are situated as a whole. Game animals in Marloth Park and Lion Spruit are left to roam freely. The municipality only restricts the movement of the animals by fencing off Marloth Park and Lion Spruit. Though the areas have fences, animal migration still occurs for some animals and they do from time to time jump over or burrow under fences. The municipality does from time to time move animals from the residential area (Marloth Park) to park area (Lion Spruit) to do culling, in order to comply with the number of animals that should be in the whole environment as required by Mpumalanga Tourism and Parks Agency. The municipality does not manage the physical condition of each individual animal within the environment. Therefore as a result, the municipality has concluded that it does not control these living resources by applying paragraph 23 of GRAP 110.

8. Operating lease asset (accrual)

Current assets	-	11 956
Non-current liabilities	-	(76 839)
Current liabilities	(76 839)	(151 732)
	(76 839)	(216 615)

9. Employee benefit obligations

Defined benefit 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 aid scheme.

In-service members that qualify for post employment medical aid benefit are entitled to a subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality.

In accordance with the requirements of GRAP25, we have applied the Projected Unit Credit Method to determine the liabilities. The projected liability is based on actuarial assumptions about the future. These assumptions are set to be realistic and individually justifiable. However, the actual experience of the beneficiaries of the municipality will vary from these assumptions. These variations emerge at each valuation as actuarial gains or losses.

The approach taken in this valuation has been made with reference to the guidelines issued by the Actuarial Society of South Africa (ASSA), in particular, the Advisory Practice Note 207 as issued by ASSA.

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

Opening balance	11 016 096	14 903 000
Contributions by plan participants	(412 973)	(406 000)
Net expense recognised in the statement of changes in net assets	1 190 632	(3 480 904)
	11 793 755	11 016 096

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Notes to the Annual Financial Statements

	2021 R	2020 R
9. Employee benefit obligations (continued)		
Net expense recognised in the statement of changes in net assets		
Current service cost	270 631	390 000
Interest cost	1 461 459	1 569 000
Actuarial (gains) losses	(541 458)	(5 439 904)
	1 190 632	(3 480 904)

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(541 458)	(5 439 904)
---------------------------------------	-----------	-------------

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.47 %	13.53 %
Consumer price inflation	6.44 %	7.74 %
Health care cost inflation	7.94 %	9.24 %
Net discount rate	3.27 %	3.93 %

Long service awards

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. The valuation was performed in line with GRAP 25. We applied the Projected Unit Credit Method to determine the liabilities. The projected liability is based on actuarial assumptions about the future. These assumptions are set to be realistic and individually justifiable. However, the actual experience of the beneficiaries of the municipality will vary from these assumptions. These variations emerge at each valuation as actuarial gains or losses.

The approach taken in this valuation has been made with reference to the guidelines issued by the Actuarial Society of South Africa (ASSA), in particular, the Advisory Practice Note 207 as issued by ASSA.

Opening balance	21 599 058	22 639 000
Current service cost	2 036 462	2 292 000
Interest cost	1 788 526	1 827 000
Actuarial (gains) / losses	7 855 549	(2 874 942)
Expected benefits payments	(3 862 228)	(2 284 000)
	29 417 367	21 599 058

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.49 %	8.72 %
Consumer price inflation	4.85 %	3.62 %
Salary increase rate	5.85 %	4.62 %
Net discount rate	2.49 %	3.92 %
Normal retirement age	63	63



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
10. Inventories		
Land held for distribution	35 894 585	36 734 485
Consumable stores	6 429 882	6 619 426
Water for distribution	144 558	181 623
	42 469 025	43 535 534

The municipality has reclassified land which was verified to have private properties but still have legal ownership. The land has been reclassified from PPE Land and Investment Land to Inventory after council resolved that the municipality should assist with the transfer of title deeds to the beneficiaries.

11. Receivables from exchange transactions

Deposits	23 301 388	21 535 773
Sundry debtors	6 007 055	742 122
Pre-paid electricity accrued	1 838 934	1 851 194
Interest receivable	110 877	244 657
	31 258 254	24 373 746
Non-current assets	23 301 388	21 535 773
Current assets	7 956 866	2 837 973
	31 258 254	24 373 746

12. Receivables from non-exchange transactions

Allowance for impairment - Fines	(107 237 791)	(103 859 375)
SARS overpayment	2 129 577	2 129 577
Salary and long service award overpayment	5 849 855	10 380 333
Traffic fines	110 908 082	108 079 842
Consumer debtors - Property rates	113 128 454	90 254 669
Allowance for impairment - Property rates	(10 224 838)	(6 277 391)
	114 553 339	100 707 655

Receivables from non-exchange transactions pledged as security

No receivables from non-exchange were pledged as security

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 1 months past due are not considered to be impaired. At 30 June 2021, R 8 241 192 (2020: R 7 066 444) were past due but not impaired.

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

1 month past due

Audited	8 241 192	7 066 444
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Mpumalanga Business Unit		

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
12. Receivables from non-exchange transactions (continued)		
Receivables from non-exchange transactions impaired		
As of 30 June 2021, other receivables from non-exchange transactions of R 104 887 262 (2020: R 83 188 225) were impaired and provided for.		
The amount of the provision was R 10 224 838 as of 30 June 2021 (2020: R 6 277 391).		
The ageing of amounts past due and impaired is as follows:		
1 to 2 months	5 024 796	4 641 144
Over 2 months	99 862 466	78 547 081
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	(6 277 391)	(4 757 076)
Provision for impairment	(3 947 447)	(1 520 315)
	(10 224 838)	(6 277 391)
Net rates		
Current (0-30 days)	8 241 192	7 066 444
31-60 days	4 534 958	4 290 923
61-90 days	4 283 870	3 807 323
90+ days	85 843 596	68 812 588
	102 903 616	83 977 278
Net traffic fines		
30+ days	3 670 291	4 220 467
13. VAT receivable		
VAT	47 740 182	57 459 165
VAT is payable on the payment basis. Only once payment is received from debtors, the VAT portion of the receipt is paid over to SARS with input VAT only claimed when payment is made to creditors.		
14. Consumer debtors		
Gross balances		
Electricity	18 646 232	17 484 553
Water	12 133 301	11 934 638
Waste water	2 914 877	2 630 322
Refuse	3 245 263	2 942 656
Other	6 914 606	7 702 290
	43 854 279	42 694 459
Less: Allowance for impairment		
Electricity	(1 685 294)	(1 216 085)
Water	(1 096 639)	(830 078)
Waste water	(263 454)	(182 944)
Refuse	(293 315)	(204 668)
Other	(624 960)	(535 709)
	(3 963 662)	(2 969 484)



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
14. Consumer debtors (continued)		
Net balance		
Electricity	16 960 938	16 268 468
Water	11 036 662	11 104 560
Waste water	2 651 423	2 447 378
Refuse	2 951 948	2 737 988
Other	6 289 646	7 166 581
	39 890 617	39 724 975
Electricity		
Current (0 -30 days)	6 871 816	6 538 408
31 - 60 days	840 373	1 450 493
61 - 90 days	638 668	1 663 005
91+ days	8 610 081	6 616 562
	16 960 938	16 268 468
Water		
Current (0 -30 days)	1 721 350	2 203 493
31 - 60 days	616 671	1 130 058
61 - 90 days	595 323	411 658
91+ days	8 103 318	7 359 351
	11 036 662	11 104 560
Waste water		
Current (0 -30 days)	386 833	377 697
31 - 60 days	116 603	137 182
61 - 90 days	83 012	103 614
91+ days	2 064 975	1 828 885
	2 651 423	2 447 378
Refuse		
Current (0 -30 days)	565 650	565 595
31 - 60 days	181 761	205 258
61 - 90 days	127 277	166 903
91+ days	2 077 260	1 800 232
	2 951 948	2 737 988
Other		
Current (0 -30 days)	1 342 075	2 839 730
31 - 60 days	305 452	158 804
61 - 90 days	132 498	141 978
91+ days	4 509 621	4 026 069
	6 289 646	7 166 581
Reconciliation of allowance for impairment		
Balance at beginning of the year	(2 969 484)	(2 523 410)
Contributions to allowance	(994 178)	(446 074)
	(3 963 662)	(2 969 484)
Consumer debtors pledged as security		
No consumer debtors were pledged as security		

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Mpumalanga Business Unit

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
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14. Consumer debtors (continued)

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Consumer debtors past due but not impaired

Consumer debtors which are less than 1 months past due are not considered to be impaired. At 30 June 2021, R 10 887 725 (2020: R 12 524 922) were past due but not impaired.

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

1 month past due	10 887 725	12 524 922
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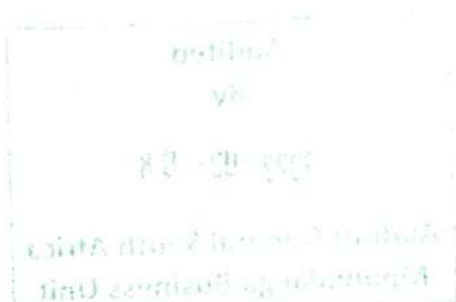
Consumer debtors impaired

As of 30 June 2021, consumer debtors of R 32 966 554 (2020: R 30 169 537) were impaired and provided for.

The amount of the provision was R 3 963 662 as of 30 June 2021 (2020: R (2 969 484)).

The ageing of amounts past due and impaired is as follows:

1 to 2 months	2 348 323	3 419 592
Over 2 months	30 618 230	26 749 946



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
15. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	2 000	2 000
Bank balances	241 616 418	213 305 222
Short-term deposits	5 000 000	5 430 000
	246 618 418	218 737 222

The municipality has a cession of R5,000,000 as security in respect of ABSA investment for the guarantees that have been issued to Eskom by Absa bank.

The remaining cash and cash equivalent balances held by the municipality is available for use by the municipality.

Short term deposits

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Short term deposits consists of:

ABSA account no 2068718251	5 000 000	5 430 000
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The municipality had the following bank accounts

Account number / description	2021			2020		
	30 June 2021 - 30 June 2021 - Bank statement balance	30 June 2021 - 30 June 2021 - Cash book balance	Difference	30 June 2020 - 30 June 2020 - Bank statement balance	30 June 2020 - 30 June 2020 - Cash book balance	Difference
STANDARD BANK - Current account - 032610335	236 620 149	234 042 915	2 577 234	224 759 380	205 200 151	19 559 229
STANDARD BANK - Call account - 0318510316	-	-	-	841 137	841 137	-
ABSA BANK, Current account - 1650 000 087	5 190 384	7 567 565	(2 377 181)	6 276 674	7 158 516	(881 842)
ABSA BANK, MIG Transfers - 4080254392	-	4 093	(4 093)	-	103 573	(103 573)
ABSA BANK, MIG Fund - 4077034870	-	1 854	(1 845)	-	1 845	(1 845)
Total	241 810 533	241 616 427	194 115	231 877 191	213 305 222	18 571 969

Differences explanation

Standard bank – Current account

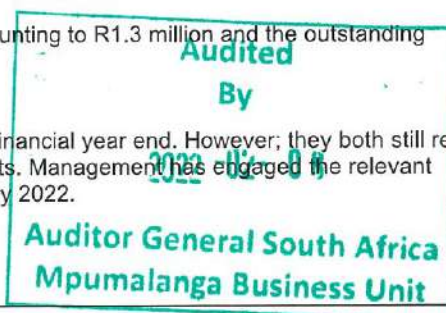
The difference mainly comprises of unallocated deposits to the value of R2 502 391.27 which awaits customers to claim or confirm using relevant supporting documents.

ABSA bank – Current account

The variance is substantially due to unallocated transactions at year end amounting to R1.3 million and the outstanding receipts of approximately R1.2 million.

ABSA bank accounts - MIG funds and MIG transfers

These two accounts were closed by the municipality subsequent to previous financial year end. However, they both still reflect balances on Cash book whereas they have a zero balance on bank statements. Management has engaged the relevant consultant to remove these amounts in the municipal cash book by 31 January 2022.



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
16. Finance lease obligation		
Minimum lease payments due		
- within one year	-	649 935
	-	649 935
less: future finance charges	-	(119 942)
Present value of minimum lease payments	-	529 993

The lease term is 2 & 3 years and the effective borrowing rate is 34.56% & 18.83% . Interest rates are fixed at the contract date. Obligations under finance leases are secured by the lessor's title to the leased asset.

Defaults and breaches

There were no default on principal and interest repayments. None of the terms and conditions were re-negotiated.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
LG SETA Grant	37 345	-
Integrated National Electrification Grant	149 277	145 440
Water Service Infrastructure Grant	1 507 166	43 604
	1 693 788	189 044

Movement during the year

Balance at the beginning of the year	189 044	888 056
Additions during the year	277 482 249	306 616 556
Income recognition during the year	(275 977 505)	(307 315 568)
	1 693 788	189 044



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
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18. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Increase / (reduction) in provisions	Interest charge	Total
Landfill Site	17 175 080	7 349 057	1 103 372	25 627 509
Performance Bonus	443 336	10 404	-	453 740
Accumulated Leave	35 070 281	15 553 136	-	50 623 417
	52 688 697	22 912 597	1 103 372	76 704 666

Reconciliation of provisions - 2020

	Opening Balance	Reversed during the year	Change in discount factor	Total
Landfill Site	25 056 882	(9 845 052)	1 963 250	17 175 080
Performance Bonus	414 426	28 910	-	443 336
Accumulated Leave	32 922 741	2 147 540	-	35 070 281
	58 394 049	(7 668 602)	1 963 250	52 688 697
Non-current liabilities			25 627 509	17 175 080
Current liabilities			51 077 157	35 513 617
			76 704 666	52 688 697

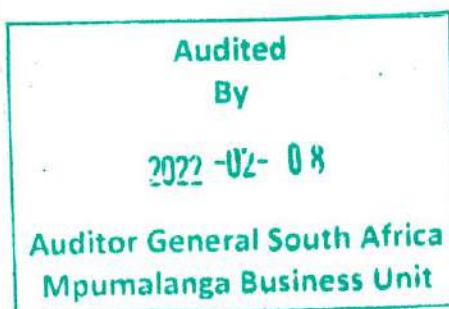
Landfill site provision has been provided after a specialist consultancy in environmental accounting, was appointed by the municipality to assist with the valuation of the required provision for the Hectorspruit, Marloth Park, Komatipoort, Kamaqhekeza and Steenbok landfill for the reporting period to reflect best reliable estimate. The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost. The timing of the outflow is uncertain, as well as the relating amounts due to discounting and changes in inflation rates.

Performance bonuses are payable to eligible employees provided that the employee has met the targets as required in their performance contracts. The provision is calculated at 10% of the total remuneration in terms of the performance agreements at the reporting date. The timing of the outflow is uncertain, as well as the relating amounts due to that the section 57 senior managers have to be assessed first to indicate if they have met their targets as required in their performance contracts..

Employees are obliged to take at least 16 working days of his/her 24 annual leave days of which at least 10 working days shall be taken consecutively in respect of every completed year of service. An employee must take annual leave not later than six months after the end of the annual leave cycle. The 8 days may be accumulated to a maximum of 48 days. The municipality pays any unused leave up to a maximum of 48 days to employees upon retirement, death or resignation (subject to compliance with notice of termination of employment as required by Basic Conditions of Employment Act). The timing of the outflow is uncertain, as well as the relating amounts due to uncertainty of when the employees are going to retire, die or resign.

19. Payables from exchange transactions

Trade payables	59 264 640	61 183 759
Debtors with credit balances	15 416 794	11 941 410
Salary suspense accounts - Third parties	21 300 671	23 111 358
Prepayments-prepaid electricity	622 325	528 068
Other Creditors	1 285 650	1 310 336
Staff bonus accrual	15 020 081	9 760 041
Surety	6 207 452	2 772 643
Retentions	63 993 373	52 665 938
Consumer deposits	5 106 362	4 779 216
	188 217 348	168 052 769



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
20. Service charges		
Sale of electricity	111 469 067	109 121 156
Sale of water	28 355 369	25 932 550
Refuse removal	9 868 291	9 318 725
Sewerage and sanitation charges	5 210 572	4 951 860
	154 903 299	149 324 291
21. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	4 233 087	4 357 740
22. Revenue		
Service charges	154 903 299	149 324 291
Rental of facilities and equipment	4 233 087	4 357 740
Interest received (trading)	7 341 033	7 691 111
Agency services	-	1 362 415
Licences and permits	34 609	967 633
Recoveries	29 958	69 448
Operational revenue	5 667 324	3 483 890
Interest received (external)	15 240 962	24 782 281
Property rates	111 628 565	102 327 280
Government grants & subsidies	1 010 831 506	876 866 570
Public contributions and donations	-	7 570 917
Fines, Penalties and Forfeits	3 727 286	8 637 233
	1 313 637 629	1 187 440 809
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	154 903 299	149 324 291
Rental of facilities and equipment	4 233 087	4 357 740
Interest received (trading)	7 341 033	7 691 111
Agency services	-	1 362 415
Licences and permits	34 609	967 633
Recoveries	29 958	69 448
Operational revenue	5 667 324	3 483 890
Interest received (external)	15 240 962	24 782 281
	187 450 272	192 038 809
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	111 628 565	102 327 280
Transfer revenue		
Government grants & subsidies	1 010 831 506	876 866 570
Public contributions and donations	-	7 570 917
Fines, Penalties and Forfeits	3 727 286	8 637 233
	1 126 187 357	995 402 000
23. Agency services		
Vehicle Registration and Licenses	-	1 362 415

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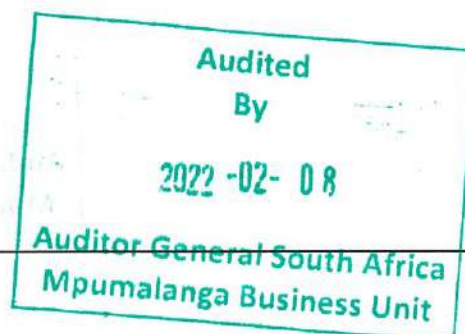
Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
24. Licences and permits		
Trading	34 609	967 633
25. Fines, Penalties and Forfeits		
Illegal Connections Fines	739 936	-
Law Enforcement Fines	2 987 350	8 636 670
Overdue Books Fines	-	563
	3 727 286	8 637 233
26. Recoveries and other income		
Recoveries	29 958	69 448
Other income	5 667 324	3 483 890
	5 697 282	3 553 338
27. Interest received - external		
Interest revenue		
Bank	6 737 234	7 517 563
Investment	8 503 728	17 264 718
	15 240 962	24 782 281
28. Property rates		
Rates received		
Residential	37 049 642	34 470 914
Business	22 380 183	20 927 708
Government	45 004 063	42 421 657
Agricultural	6 184 012	3 550 695
Other	1 010 665	956 306
	111 628 565	102 327 280
Valuations		
Residential	6 055 354 100	5 976 564 100
Business	1 484 728 000	1 489 129 000
Government	2 717 564 099	2 713 963 999
Agriculture	3 529 324 001	3 357 654 001
Other	1 185 594 255	1 194 204 255
	14 972 564 455	14 731 515 355

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
29. Government grants and subsidies		
Operating grants		
Equitable share	735 043 045	569 784 057
Municipal Infrastructure Grant	220 734 000	225 063 001
Financial Management Grant	1 700 000	1 770 000
LG SETA Grant	3 808 904	1 843 556
Integrated National Electrification Grant	4 797 723	15 420 560
Water Service Infrastructure Grant	38 492 834	52 956 396
Expanded Public Works Programme	6 255 000	6 374 000
Municipal Disaster Relief Grant	-	655 000
Energy Efficiency and Demand Side Management Grant	-	3 000 000
	1 010 831 506	876 866 570

Equitable Share

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	627 647
Current-year receipts	220 734 000	225 063 000
Conditions met - transferred to revenue	(220 734 000)	(225 063 000)
Other	-	(627 647)
	-	-

Expanded Public Works Programme

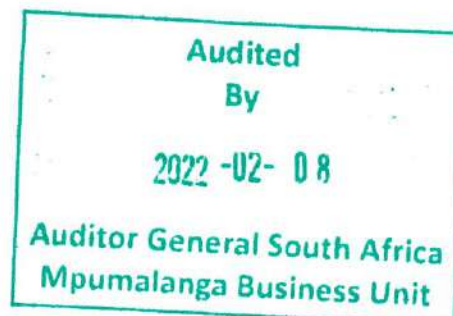
Current-year receipts	6 255 000	6 374 000
Conditions met - transferred to revenue	(6 255 000)	(6 374 000)
	-	-

Financial Management Grant

Current-year receipts	1 700 000	1 770 000
Conditions met - transferred to revenue	(1 700 000)	(1 770 000)
	-	-

LG SETA Grant

Current-year receipts	3 846 249	1 843 556
Conditions met - transferred to revenue	(3 808 904)	(1 843 556)
	37 345	-

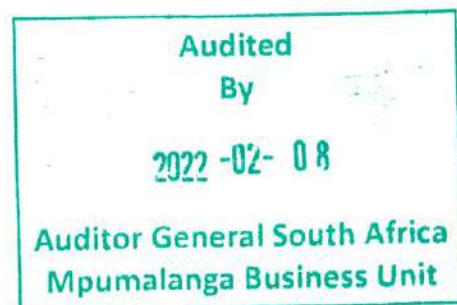


Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
29. Government grants and subsidies (continued)		
Integrated National Electrification Grant		
Balance unspent at beginning of year	145 440	260 409
Current-year receipts	4 947 000	15 566 000
Conditions met - transferred to revenue	(4 797 723)	(15 420 560)
Transfer out - Roll over not approved	(145 440)	(260 409)
	149 277	145 440
Water Service Infrastructure Grant		
Balance unspent at beginning of year	43 604	-
Current-year receipts	40 000 000	53 000 000
Conditions met - transferred to revenue	(38 492 834)	(52 956 396)
Transfer out - Roll over not approved	(43 604)	-
	1 507 166	43 604
Municipal Disaster Relief Grant		
Current-year receipts	-	655 000
Conditions met - transferred to revenue	-	(655 000)
	-	-
Energy Efficiency and Demand Side Management Grant		
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	-	(3 000 000)
	-	-



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

				2021 R	2020 R
29. Government grants and subsidies (continued)					
Government grants and subsidies per vote					
2021	Executive & Council	Budget & Treasury Office	Corporate Services	Infrastructure Development	Total
Municipal Infrastructure Grant	-	-	-	220 734 000	220 734 000
Financial Management Grant	-	1 700 000	-	-	1 700 000
LG SETA Grant	-	-	3 846 249	-	3 846 249
Intergrated National Electrification Grant	-	-	-	4 947 000	4 947 000
Water Services Infrastructure Grant	-	-	-	40 000 000	40 000 000
Expanded Public Works Programme	6 255 000	-	-	-	6 255 000
	6 255 000	1 700 000	3 846 249	265 681 000	277 482 249
2020	Executive & Council	Budget & Treasury Office	Corporate Services	Infrastructure Development	Total
Municipal Infrastructure Grant	-	-	-	225 063 000	225 063 000
Financial Management Grant	-	1 770 000	-	-	1 770 000
LG SETA Grant	-	-	1 843 556	-	1 843 556
Intergrated National Electrification Grant	-	-	-	15 420 560	15 420 560
Water Services Infrastructure Grant	-	-	-	53 000 000	53 000 000
Energy Efficiency and Demand Management Grant	-	-	-	3 000 000	3 000 000
Expanded Public Works Programme	6 374 000	-	-	-	6 374 000
Municipal Disaster Relief Grant	655 000	-	-	-	655 000
	7 029 000	1 770 000	1 843 556	296 483 560	307 126 116
30. Public contributions and donations					
Public contributions and donations				-	7 570 917

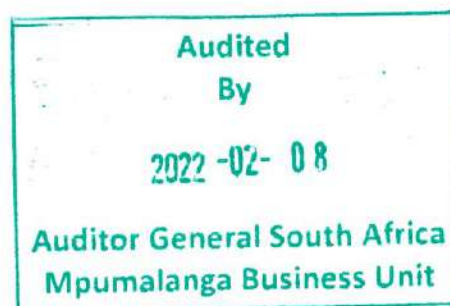


Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
31. Employee related costs		
Basic	328 092 800	223 798 154
Bonus	26 094 247	17 710 318
Medical aid	20 334 738	17 752 265
UIF	2 317 532	1 779 126
Other payroll levies	185 135	170 084
Pension fund contributions	58 203 980	42 180 352
Travel, motor car, accommodation and subsistence allowances	45 019 461	37 265 568
Overtime payments	63 116 391	51 648 095
Long-service awards	3 109 442	4 453 389
Housing benefits and other allowances	6 645 988	7 823 042
Temporary employees	4 734 612	3 749 340
Standby allowance	17 623 664	7 751 770
	575 477 990	416 081 503
Remuneration of municipal manager		
Annual Remuneration	1 236 269	1 189 879
Travel allowance	244 550	168 000
Performance Bonuses	-	105 662
Contributions to UIF, Medical and Pension Funds	263 163	258 773
	1 743 982	1 722 314
Remuneration of chief financial officer		
Annual Remuneration	972 649	918 622
Travel allowance	204 547	218 946
Performance Bonuses	-	59 810
Contributions to UIF, Medical and Pension Funds	145 434	134 932
	1 322 630	1 332 310
Remuneration of deputy chief financial officer		
Annual Remuneration	-	903 150
Travel allowance	-	338 760
Contributions to UIF, Medical and Pension Funds	-	222 979
	-	1 464 889



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
31. Employee related costs (continued)		
Remuneration of director technical services		
Annual Remuneration	1 001 693	982 963
Travel allowance	264 224	331 243
Performance Bonuses	-	73 290
Contributions to UIF, Medical and Pension Funds	194 846	189 692
	1 460 763	1 577 188
Remuneration of deputy director technical services		
Annual Remuneration	-	889 257
Performance Bonuses	-	396 862
Contributions to UIF, Medical and Pension Funds	-	242 949
	-	1 529 068
Remuneration of director planning and development		
Annual Remuneration	936 873	918 178
Travel allowance	262 371	274 022
Performance Bonuses	-	54 102
Contributions to UIF, Medical and Pension Funds	161 644	158 245
	1 360 888	1 404 547
Remuneration of director community services		
Annual Remuneration	765 900	731 612
Travel allowance	244 458	329 809
Contributions to UIF, Medical and Pension Funds	149 957	140 551
	1 160 315	1 201 972
Remuneration of director corporate services		
Annual Remuneration	759 325	728 997
Travel allowance	240 973	241 264
Contributions to UIF, Medical and Pension Funds	157 228	143 592
	1 157 526	1 113 853
<p>During the annual review of the organisational structure, council took a decision to restructure the organogram of the municipality by doing away with the posts of Deputy CFO and Deputy Director Infrastructure so to be in line with the other three departments which had no Deputy Directors. The decision was taken as per council resolution number NLM:S-GCM-A068/2020</p>		
32. Remuneration of councillors		
Executive Mayor	934 919	946 268
Chief Whip	867 055	864 866
Mayoral Committee Members	4 293 325	4 282 651
Speaker	756 147	756 314
Councillors	10 577 579	9 733 863
Councillors' pension contribution	2 021 757	1 954 667
Councillors' Allowances	13 611 893	14 797 541
	33 062 675	33 336 170

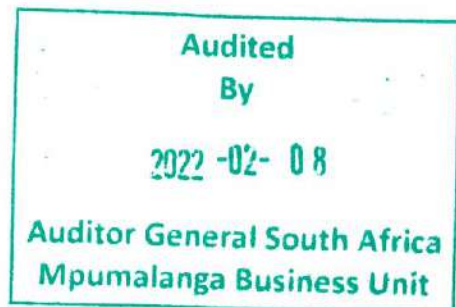
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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
32. Remuneration of councillors (continued)		
Executive Mayor		
Remuneration	548 003	550 433
Travel and other allowances	264 263	274 800
Contributions to UIF, Medical and Pension Fund	122 653	121 035
	934 919	946 268
Speaker		
Remuneration	431 413	433 282
Travel and other allowances	219 569	219 570
Contributions to UIF, Medical and Pension Fund	105 165	103 462
	756 147	756 314
Chief Whip		
Remuneration	437 209	439 311
Travel and other allowances	364 265	359 658
Contributions to UIF, Medical and Pension Fund	65 581	65 897
	867 055	864 866
Members of mayoral committee		
Remuneration	1 995 121	2 067 818
Travel and other allowances	1 827 618	1 763 333
Contributions to UIF, Medical and Pension Fund	470 586	451 500
	4 293 325	4 282 651
33. Depreciation and amortisation		
Property, plant and equipment	77 636 472	71 876 133
Investment property	255 840	90 316
Intangible assets	224 652	359 197
	78 116 964	72 325 646



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
34. Impairment loss		
Impairments		
Property, plant and equipment The events and circumstances that led to the recognition of the impairment of assets was evidence of damage and significant drop in market value. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell.	12 666 572	7 938 567
Investment property The events and circumstances that led to the recognition of the impairment of assets was evidence of damage and significant drop in market value. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell.	-	43 175
	12 666 572	7 981 742

The main classes of assets affected by impairment losses are:

PPE - buildings

Infrastructure - Roads

Infrastructure - Stormwater

Infrastructure - Sewerage

Infrastructure - Electricity

Infrastructure - Water

Fair value less cost to sell

Fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining this amount, an entity could consider the outcome of recent transactions for similar assets within the same industry. Fair value less costs to sell does not reflect a forced sale, unless management is compelled to sell immediately.

35. Lease rentals on operating lease

Premises		
Contractual amounts	2 644 889	3 323 949
Plant and equipment		
Contractual amounts	4 190 255	1 695 166
	6 835 144	5 019 115

36. Transfers and subsidies

Other subsidies		
Other transfers	6 591 653	23 420 201

37. Finance costs

Finance leases	119 942	466 853
Interest paid	544 218	428 411
	664 160	895 264

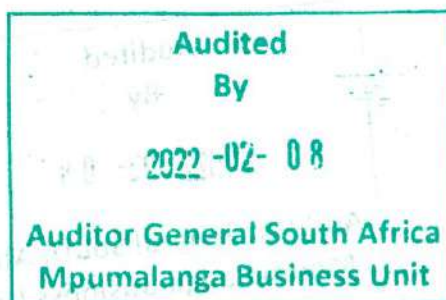


Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
38. Debt impairment		
Contributions to debt impairment provision	8 320 041	8 075 500
Bad debts written off	18 909	23 740
	8 338 950	8 099 240
39. Bulk purchases		
Electricity - Eskom	95 882 910	91 160 707
Water	1 028 008	1 098 593
	96 910 918	92 259 300
40. Contracted services		
Outsourced Services		
Alien Vegetation Control	141 835	205 650
Animal Care	131 991	56 918
Burial Services	176 300	78 400
Business and Advisory	219 752	1 122 861
Catering Services	3 863 807	2 374 033
Hygiene Services	198 091	330 112
Mini Dumping Sites	11 562 667	5 063 832
Refuse Removal	58 920	63 960
Security Services	41 861 971	34 252 460
Sewerage Services	124 800	337 461
Water Takers	26 439 078	11 012 666
Consultants and Professional Services		
Business and Advisory	28 132 042	24 931 894
Infrastructure and Planning	1 382 109	1 805 858
Laboratory Services	162 706	283 187
Legal Cost	9 156 485	12 925 718
Contractors		
Aerial Surveillance	-	599 565
Artists and Performers	85 807	272 750
Electrical	209 550	161 500
Employee Wellness	-	203 540
Graphic Designers	-	91 250
Interior Decorator	148 430	211 200
Maintenance of Buildings and Other Assets	1 977 319	2 901 001
Maintenance of Equipment	24 955 421	10 279 178
Medical Services	273	-
Plants, Flowers and Other Decorations	149 297	105 470
Tracing Agents and Debt Collectors	1 528 167	7 989 429
Traffic and Street Lights	433 967	341 755
Transportation	13 927 159	17 230 674
Stage and Sound Crew	200 037	294 143
	167 227 981	135 526 465



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
41. Operational expenditure		
Advertising	1 108 178	872 560
Auditors remuneration	6 810 006	4 989 320
Bank charges	705 261	1 129 565
Entertainment	42 322	49 661
IT expenses	4 760 198	3 642 650
Insurance	2 820 006	1 985 789
Inventory - consumables	44 588 386	50 969 858
Levies	9 877 687	8 695 000
Other expenses	6 474 103	8 314 166
Postage and courier	159 326	152 475
Printing and stationery	896 090	417 101
Rental of landfill site	2 451 669	1 929 476
Subscriptions and membership fees	8 826	9 564
Telephone and fax	8 419 770	3 322 343
Travel and accommodation - local	3 966 556	6 335 805
Uniform and protective clothing	8 024 569	4 609 881
Utilities	60 217 070	59 181 009
Ward committees	3 374 050	3 927 886
	164 704 073	160 534 109
42. Auditors' remuneration		
Fees	6 810 006	4 989 320
43. Net cash flow from operating activities		
Surplus	140 272 883	229 280 007
Adjustments for:		
Depreciation and amortisation	78 116 964	72 325 646
Gain on disposal of assets	7 057 572	(171 963)
Impairment deficit	12 666 572	7 981 742
Debt impairment	8 338 950	8 099 240
Movements in operating lease assets and accruals	(139 776)	31 526
Movements in retirement benefit assets and liabilities	8 595 968	(4 926 846)
Movements in provisions	24 015 969	(5 705 352)
Other non-cash items (Transfers received - Assets)	-	(7 500 000)
Changes in working capital:		
Inventories	1 066 509	(1 547 828)
Receivables from exchange transactions	(6 884 508)	(2 644 136)
Consumer debtors	(8 504 592)	(15 935 187)
Other receivables from non-exchange transactions	(13 845 684)	(38 014 685)
Payables from exchange transactions	20 164 592	47 626 862
VAT	9 718 983	(1 541 117)
Unspent conditional grants and receipts	1 504 744	(699 012)
	282 145 146	286 658 897

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
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44. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	31 258 254	-	31 258 254
Other receivables from non-exchange transactions	114 553 339	-	114 553 339
Consumer debtors	39 890 617	-	39 890 617
Cash and cash equivalents	-	246 618 418	246 618 418
	185 702 210	246 618 418	432 320 628

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	188 217 348	188 217 348

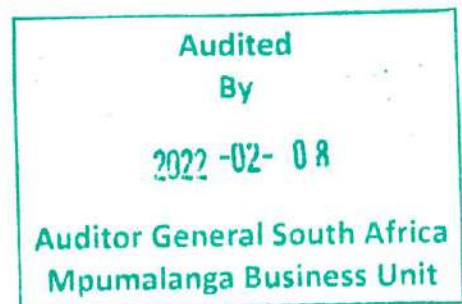
2020

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	24 373 746	-	24 373 746
Other receivables from non-exchange transactions	100 707 655	-	100 707 655
Consumer debtors	39 724 975	-	39 724 975
Cash and cash equivalents	-	218 737 222	218 737 222
	164 806 376	218 737 222	383 543 598

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	168 052 769	168 052 769



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
45. Commitments		
Authorised expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	136 815 489	18 326 446
• Infrastructure	255 992 054	263 321 349
• Other services	33 105 338	57 160 792
	425 912 881	338 808 587
Total capital commitments		
Already contracted for but not provided for	425 912 881	338 808 587
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	986 743	3 191 452
- in second to fifth year inclusive	-	986 743
	986 743	4 178 195

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three to five years and rentals are escalated by 8% per annum. In terms of the lease agreements the municipality has the option to renew the lease at the end of the lease period under the new terms and conditions, and/or the terms and conditions of the original lease agreement. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due
- within one year

- 2 383

Operating lease payments represent rentals receivable by the municipality for certain of its properties. Leases are negotiated for up to maximum term of 9 years 11 months and rental escalates between 0% to 10% per annum. No contingent rent is receivable.



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021 R	2020 R
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46. Contingencies

Contingent liabilities

2021

Valor IT - Claim of R5 034 960 for breach of contract

Maximum profit recovery - Claim for a breach of contract on VAT for an amount of R6 000 000

JS Nkosi - The case relates to the alleged unfair labour practice, however the potential amount of the liability is uncertain as it was not determined when the claim was instituted.

SANRAL SOC - SANRAL sought an interdict to prevent the Lebombo Border Dry Port from developing a property without first obtaining the zoning. The Municipality was cited as the authority responsible for issuing of the said zoning. The potential amount of the liability is uncertain as it was not determined when the claim was instituted.

Lowveld & Escarpment Fire - Claim for potential amount of R236 348.98 relating to unpaid invoices for fire protection.

BB Khoza - The matter pertains to the reinstatement of the applicant to his position. The potential amount to be claimed is uncertain as it was not determined when the claim was instituted.

BB Khoza - Claim for salary of R174 000 that was stopped after the employee was found to have misappropriated funds of the municipality.

SS Thabethe - Claim for R400 000 for alleged unlawful arrest and assault by municipal traffic officer

M Baloyi - Claim for R200 000 for alleged unlawful arrest and assault by municipal traffic officer

2020

A Lubbe - Claim of R109 626.64 against unfair dismissal

IMATU O.B.O L Lubisi - Claim of R120 270 for travel allowance

Tarfix - Claim for retention money amounting to R2 679 068.48

SM Shabangu - challenge against alleged unfair dismissal and anticipated costs claim of R1 020 000

Silinda Mokoena & Associates (Valuer) case no 64255/09 claims R1 264 063.40 for work done on the valuation roll for the municipality

Valor IT - Claim of R5 034 960 for breach of contract

Matsamo cultural park - Claim of R5 418 000 for suffered damages caused by fire due to alleged negligence following failure of the fire trucks to arrive on time

Maximum profit recovery - Claim for a breach of contract on VAT for an amount of R6 000 000

Telkom SA Limited - Claim for damages for an amount of R59 346.17



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021 R	2020 R
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46. Contingencies (continued)

JS Nkosi - The case relates to the alleged unfair labour practice, however the potential amount of the liability is uncertain as it was not determined when the claim was instituted.

SANRAL SOC - SANRAL sought an interdict to prevent the Lebombo Border Dry Port from developing a property without first obtaining the zoning. The Municipality was cited as the as the authority responsible for issuing of the said zoning. The potential amount of the liability is uncertain as it was not determined when the claim was instituted.

BB Khoza - Claim for salary of R174 000 that was stopped after the employee was found to have misappropriated funds of the municipality.

SS Thabethe - Claim for R400 000 for alleged unlawful arrest and assault by municipal traffic officer

M Baloyi - Claim for R200 000 for alleged unlawful arrest and assault by municipal traffic officer

Contingent assets

2021

Valor IT - Claim for recovery of amount paid to Valor IT to the value of R6 300 000 for breach of contract.

BB Khoza - Claim for recovery of misappropriation of funds by the employee to the value of R1 000 000.

Leopard creek share block Ltd - The case relates to a dispute of the value the property in the municipal valuation roll. The potential amount to be claimed is uncertain as it was not determined when the claim was instituted.

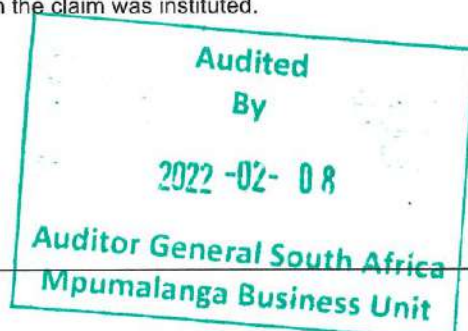
2020

The municipality lodged a counter claim of R10 855 225.17 against Silinda Mokoena & Associates (Valuer) case no 64255/09, because the valuation roll was incorrect and the Valuer failed to make corrections as requested by the municipality. The municipality lodged its claim because it is losing possible revenue due to the incorrectness of the valuation roll.

Valor IT - Claim for recovery of amount paid to Valor IT to the value of R6 300 000 for breach of contract.

BB Khoza - Claim for recovery of misappropriation of funds by the employee to the value of R1 000 000.

Leopard creek share block Ltd - The case relates to a dispute of the value the property in the municipal valuation roll. The potential amount to be claimed is uncertain as it was not determined when the claim was instituted.



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
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47. Related parties

Relationships

Members of key management

Refer to employee related costs note on compensation to Municipal Manager, Chief Financial Officer, Executive Directors, Mayoral Committee and Other Councillors

48. Change in estimate

Property, plant and equipment

The estimated useful life of assets in certain classes of Property, Plant and Equipment, Investment property and Intangible assets were assessed during the current financial year. In the current financial year management have extended their estimated useful lives. The effect of this revision has decreased the depreciation charges for the current by R 2 020 292. It is impracticable to estimate the effect of these changes on future periods as the municipality have to first assess the condition of these assets in future.

The impact on Property, plant and equipment due to the extension of their useful lives is R1 891 226

The impact on Investment property due to the extension of their useful lives is R4 158

The impact on Intangible assets due to the extension of their useful lives is R124 908

49. Prior period errors

Correction of prepaid electricity revenue for June 2020 that was captured in the incorrect accounting period of 2021 financial year and disclosure of the fee paid as commission to the agent.

Correction of prior year completed projects that were still under work in progress in the fixed asset register and accounting for the prior year accumulated depreciation.

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

Statement of financial position

Accumulated surplus	-	(1 392 060)
Infrastructure - Roads: Accumulated depreciation	-	(450 168)
Infrastructure - Buildings: Accumulated depreciation	-	(8 965)
Pre-paid electricity accrued	-	1 851 194
Work in progress - completed	-	(43 480 453)
Infrastructure - Roads: cost	-	40 264 379
Infrastructure - Buildings: cost	-	3 216 074
Commission paid to the agent	-	(1 548 405)

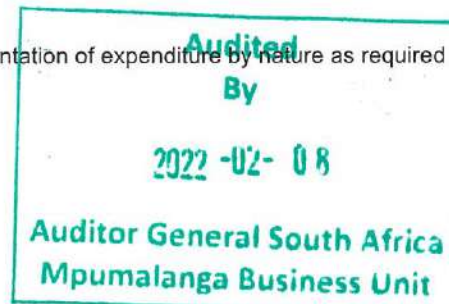
Notes

50. Comparative figures

Certain comparative figures have been reclassified.

The comparative figures have been reclassified to conform to presentation of expenditure by nature as required by GRAP 1.

The effects of the reclassification are as follows:



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

50. Comparative figures (continued)

Notes to the Annual Financial Statements - extract

	Comparative figures previously reported	Reclassification	After reclassification
Contracted services	158 901 624	(23 375 159)	135 526 465
Operational expenditure	159 757 747	776 362	160 534 109
Transfers and subsidies	821 405	22 598 796	23 420 201
	319 480 776	(1)	319 480 775

51. Risk management

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.

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	188 217 348	-	-	-
Operating lease liability	76 839	-	-	-

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligations	529 993	-	-	-
Trade and other payables	168 052 769	-	-	-
Operating lease liability	151 732	76 839	-	-

Credit risk

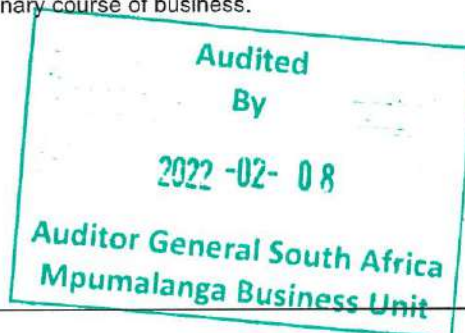
Credit risk consists mainly of cash deposits, cash equivalents and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Credit Risk related to consumer debtors is managed in accordance with the Council's credit control and debt collection policy. The Council's credit exposure is spread over a large number and wide variety of consumers, and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated impairment of consumer debtors.

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

Financial instrument	2021	2020
Cash and cash equivalents	246 618 418	218 737 222
Receivable from non-exchange transactions	114 553 339	100 707 655
Receivable from exchange transactions	31 258 254	24 373 746
Consumer debtors - exchange transactions	39 890 617	39 724 975

52. 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.



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
53. Unauthorised expenditure		
Opening balance as previously reported	33 472 562	27 258 886
Opening balance as restated	33 472 562	27 258 886
Add: Expenditure identified - current	33 953 290	6 213 676
Closing balance	67 425 852	33 472 562

Unauthorised expenditure is as a result of overspending of the budget of the municipality which caused the operational expenditure or capital expenditure incurred during the financial year to exceed the amount appropriated in the budget.

Investigations are still in process regarding the prior year unauthorised expenditure.

The municipality will submit the unauthorised expenditure incurred in the current year to council for investigation.

There is no unauthorised expenditure incurred in prior year but identified in current year

There is no unauthorised expenditure recovered or transferred to receivables for recovery

There is no unauthorised expenditure authorised or recommended for write off in the current year

Unauthorised expenditure: Budget overspending – per municipal department

Community and social services	13 880 599	-
Infrastructure and development	-	1 699 643
Corporate services	20 072 691	4 514 033
	33 953 290	6 213 676

54. Fruitless and wasteful expenditure

Opening balance as previously reported	1 856 828	1 092 956
Opening balance as restated	1 856 828	1 092 956
Add: Expenditure identified - current	18 221	639 204
Add: Expenditure identified - prior period	-	124 668
Closing balance	1 875 049	1 856 828

Expenditure identified in the current year include those listed below:

Interest	-	264 104
Salary - Ghost employee	-	124 668
Salary - Contract Terminated	18 221	-
VAT amount paid to none VAT vendor	-	375 100
	18 221	763 872

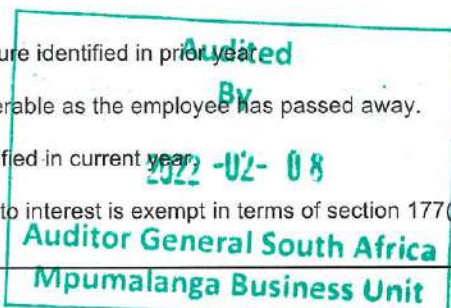
Fruitless and wasteful expenditure is as a result of salary paid after the employee contract was terminated, interest charged by suppliers due to late payments, salary paid to an employee not working for the municipality and payment made inclusive of VAT to a supplier who is not registered VAT vendor.

Investigations are still in process regarding to fruitless and wasteful expenditure identified in prior year.

The fruitless and wasteful expenditure identified in the current year is irrecoverable as the employee has passed away.

There is no fruitless and wasteful expenditure incurred in prior year but identified in current year.

The fruitless and wasteful expenditure incurred in the current year regarding to interest is exempt in terms of section 177(1) of the MFMA and regulations made thereunder, as set out in the Schedule.



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
54. Fruitless and wasteful expenditure (continued)		
Amounts recoverable		
There is no fruitless and wasteful expenditure recovered or transferred to receivables for recovery.		
Amounts written-off		
There is no fruitless and wasteful expenditure authorised or recommended for write off in the current year.		
55. Irregular expenditure		
Opening balance as previously reported	262 733 611	648 059 024
Opening balance as restated	262 733 611	648 059 024
Add: Irregular Expenditure - current	116 901	10 693 057
Add: Irregular Expenditure - prior period	38 213 641	101 649 731
Less: Amount written off - prior period	-	(497 668 201)
Closing balance	301 064 153	262 733 611

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

Three written quotations not invited	116 901	-
Over-payment on the contract	-	953 149
Tax non-compliance	8 843 860	6 698 140
Non-compliance on local production and content	9 789 676	30 157 914
Non-compliance with SCM advertisement	16 749 516	46 241 335
Non-compliance with Subcontracting of tenders above R30 million	2 830 589	28 292 250
	38 330 542	112 342 788

Cases under investigation

Investigations are still in process regarding to cases identified in prior year which are related to non-compliance with procurement process requirements.

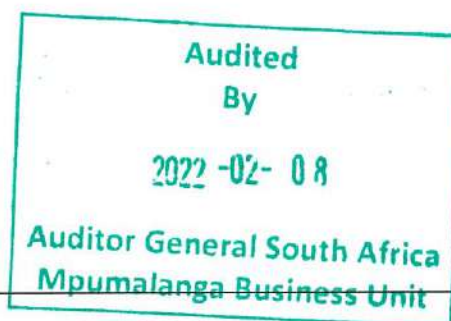
The municipality will submit the irregular expenditure identified in the current year to council for investigation

Amounts recoverable

There is no irregular expenditure recovered or transferred to receivables for recovery.

Amounts recommended to be written-off

There is no irregular expenditure authorised or recommended to be written off in the current year.



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
56. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	18 416	-
Current year subscription / fee	319 443	276 839
Amount paid - current year	(337 859)	(258 423)
	-	18 416
Non-compliance with applicable legislation		
MFMA: Section 65(e) and Section 99(2)(b)		
Audit fees		
Current year subscription / fee	6 810 006	4 989 320
Amount paid - current year	(6 810 006)	(4 989 320)
	-	-
PAYE		
Opening balance	5 684 687	-
Current year subscription / fee	81 279 125	62 314 754
Amount paid - current year	(79 761 128)	(56 630 067)
	7 202 684	5 684 687
UIF		
Opening balance	319 438	-
Current year subscription / fee	4 921 042	3 986 289
Amount paid - current year	(4 735 588)	(3 666 851)
	504 892	319 438
SDL		
Current year subscription / fee	3 733 639	2 848 376
Amount paid - current year	(3 359 215)	(2 848 376)
	374 424	-
Pension and Medical Aid Deductions		
Opening balance	7 475 933	-
Current year subscription / fee	117 587 176	91 145 663
Amount paid - current year	(125 063 109)	(83 669 730)
	-	7 475 933
VAT		
VAT receivable	47 740 182	57 459 165
All VAT returns have been submitted by the due date throughout the year.		

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 47 740 182 57 459 165
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Mpumalanga Business Unit

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
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56. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

There are no councillors that had arrear accounts outstanding for more than 90 days at 30 June 2021

Deviations

Deviations - opening balance	27 692 205	339 274
Deviations - current year	3 064 919	30 134 403
Deviations - noted by council	(30 233 517)	(2 781 472)
	523 607	27 692 205

Awards to close family members of persons in the service of the state

Amount paid - current year	956 326	351 000
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Procurement services were made to Mpheyi Trading CC for supply and delivery of water tanker services to the value of R800 000.

Procurement services were made to Piston Power Chemicals (Pty) Ltd for supply and delivery of 5 x 210 litre hydrolic oil, 5 x 210 litre of transmission oil, 3 x 210 litre engine oil and 10 x 15kg grease (Quote: nko PP02/09/2020) to the value of R112 325.55

Procurement services were made to Nkomazi Observer for supply and delivery of advert for SOMA by the Executive Mayor to the value of R44 000.

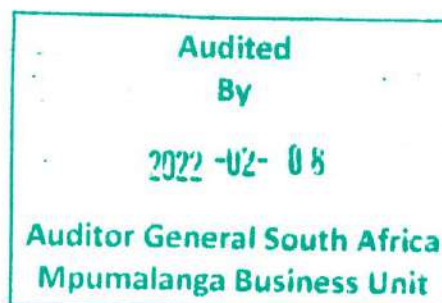
57. Distribution losses

Water	Year	Kilo litres pumped	Kilo litres sold	Loss in kilo litres	Loss in percentage
	30 June 2021	32 536 166	32 431 518	104 648	0.3%
30 June 2020	31 457 115	31 311 527	145 588	0.5%	

Electricity	Year	Units purchased	Units sold	Loss in units	Loss in percentage
	30 June 2021	84 008 537	62 983 732	21 024 805	25%
30 June 2020	84 171 660	69 471 251	14 700 409	17%	

Water distribution loss calculated value amounts to R 93 998 (2020: R 173 363)

Electricity distribution loss calculated value amounts to R 21 024 805 (2020: R13 816 245)



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021	2020
R	R

58. Budget differences

Material differences between budget and actual amounts

Management have decided to provide reasons for the variances that are more than 10%, however there some exceptional cases where management has decided to provide reasons for the variances that are less than 10%.

Revenue and expenditure

Service charges - The insignificant variation of 7% from the targeted revenue is as a result of reduced sales of electricity units during the lockdown period.

Agency services - The agency agreement was terminated and the licensing department function was transferred back to Department of Community Safety, Security and Liaison.

Licenses and permits - This was due to the fact that the issuing of business permits was targeted for implementation as part of Revenue Enhancement during the financial year under review, however the projected income could not be materialized.

Recoveries - This class of revenue is contingent in nature and during the budget adjustment the actual income was not yet received.

Other income - More revenue generated from the sale of tender documents, town planning fees such as building plans, publication print and other sundry revenue items.

Interest received: external - The variance is due to that the interest rate declined and also that the municipality was unable to invest its access reserves due to lockdown restrictions.

Property rates - The difference represents a 4% insignificant variance between the budget revenue and the actual revenue. The budgeted amount was an estimate based on the valuation roll and the insignificant variance is due to changes in categories of properties.

Fines, Penalties and Forfeits - Variance is due to that only section 56 hand written fines were issued during the financial year. There were no section 341 speed camera fines issued during the year.

Employee costs - The municipality has in the current financial year filled a majority of the vacant posts by appointing approximately 500 new employees. Almost half of these employees were previously working as contracted workers for more than two years on average. An increase in the employee related costs is also attributable to the implementation of the 2010 wage curve agreement for the affected employees

Finance costs - The interest charged assumptions for late payment of invoices was not factored into the budget amounts as well as the interest portion of the landfill sites.

Impairment loss - The variance resulted from the change in conditions of assets which have deteriorated due to different variables and this was not budgeted for.

Debt impairment - The difference is attributed to the various factors applied in estimating impairment of debtors.

Transfers and Subsidies – The variance is due to that the budget was based on the previous trends whereby the municipality would award once off registration fees to qualifying students, however only 1 non-employee student was awarded a bursary and other programs where halted due to COVID-19.

Contracted Services - Security service had to be enhanced by adding armed response to the emerging criminal activities targeting the municipal infrastructure. The municipality also continued with the service of water tankers appointed in the previous year to ensure availability of adequate water service in the needy villages as initiative to respond to COVID-19 pandemic.

Transfers and subsidies - The variance resulted from delays experienced on appointment of service providers for Sanitation as the tender had to be re-advertised whereas the budget included the anticipated transfer of electrified households and Sanitation projects completed.

Assets and liabilities

Audited
By
2022-02-08

Auditor General South Africa
Mpumalanga Business Unit

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021	2020
R	R

58. Budget differences (continued)

Inventories - The variance is as a result of high demand on uniforms due to additional field workers, Consumable goods and water treatments products to ensure that the community receive potable water in the fight against the COVID-19 pandemic. The variance is also associated with the land held for distribution to the beneficiaries where the municipality is the title holder of the land.

Cash and cash equivalent - The municipality had more cash on hand at year end than anticipated due to implementation of cost containment measures on operational expenditure items such as inventory - consumables, accomodation, catering, etc. Interest received from investments and additional equitable share received increased the cash on hand.

Receivable from exchange transactions: Current - The variance is due to money that was reserved by standard bank following an instruction by Attorneys representing Maximum Profit Recovery for the Contingent Liability. Some of the money was recovered before year end and the other was recovered after year end.

Consumer debtors- This is mainly due to credit control measures implemented by management and the honouring of arrangement agreements by clients.

VAT receivable - The variance is associated with over budgeting due to previous trends and that most VAT refunds were received at year end.

Receivable from non-exchange - The budgeted amount was an estimate based on the valuation roll and the insignificant variance is due to changes in categories of properties.

Receivable from exchange transactions: Non-current - The variance is due to deposit paid for new electricity connections than anticipated and also the interest earned on the Eskom deposit accounts.

Property, plant and equipment - The estimated capital budget for Property, Plant and equipment was inclusive of grant allocations which are vat inclusive and actuals which are vat exclusive. The variance of 4% is also due to capital projects that were not yet completed as at year end.

Intangible assets - The variance is due to less aquisitions during the year than was budgeted for and the variance also results from the different VAT treatments when budgeting and on actual spending.

Operating lease assets - The municipality did not enter into new operating lease as was anticipated due to lockdown restrictions hence the actual is much lesser than the budgeted amount and all lease agreements have expired during the year.

Provision: Current - The variance is also caused by increase in accumulated leave provision due to new appointments of employees.

Provision: Non-current - This is an estimated figure and the budget is based on the prior year actuals which is subject to extensive assumptions depending on the management expert used to determine the actual value. The variance is also caused by the change in the use of landfill sites and CPI rate.

Operating lease Liabilities - Variance is due under budgeting as some agreement expired and the agreement were renewed. Lease agreement for rental Licensing Department was ceded to Department of Community Safety, Security and Liaison.

Payables from exchange transactions - The variance is attributable to an increase in Retentions and a Percentage increase in Surety for certain contracts. New appointments also contributed to an increase in Staff bonus accrual.

Unspent conditional grant - This line item does not require to be budgeted for hence there is 100% variance.

Employee benefit obligation - The variance is due to that this was not budgeted.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
59. Accounting by principals and agents		
The entity is a party to a principal-agent arrangement(s).		
Details of the arrangement(s) is/are as follows:		
The agreement requires Utilities World as the service provider to provide prepaid electricity vending services.		
The entity is the principal to the agreement where the service provider will collect all monies on behalf of the entity. The service provider will therefore pay the entity all monies collected less charges and commissions.		
Entity as principal		
Fee paid		
Fee paid as compensation to the agent	1 776 251	1 548 405



Nkomazi Local Municipality
Nkomazi Local Municipality
Appendix B
 June 2021

Analysis of property, plant and equipment as at 30 June 2021
Cost/Revaluation
Accumulated depreciation

	Opening Balance	WIP completed adjustment	Additions	Transfers-WIP completed	Disposals	Closing Balance	Opening Balance	Opening balance adjustment	Depreciation	Disposals	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings													
Land	194 080 276	-	-	-	-	194 080 276	(12 402 319)	-	-	-	-	(12 402 319)	181 677 957
Work in progress - buildings	50 459 558	(3 216 073)	17 369 839	(9 827 980)	-	54 785 444	-	-	-	-	-	(93 026 990)	54 785 444
Buildings	238 697 027	3 216 073	17 369 839	9 827 980	-	251 741 080	(72 702 389)	(8 965)	(7 728 101)	-	(2 586 535)	(83 026 990)	168 715 090
	483 246 861	-	17 369 839	-	-	500 616 800	(83 104 708)	(8 965)	(7 728 101)	-	(2 586 535)	(95 428 389)	405 188 491
Infrastructure													
Roads	440 772 913	40 264 379	12 288 667	26 079 370	-	519 406 329	(113 711 795)	(450 768)	(14 150 478)	-	(3 889 267)	(132 211 708)	387 194 621
Storm water	60 943 734	-	-	-	-	60 943 734	(6 014 444)	-	(1 183 536)	-	(416 278)	(7 624 258)	53 319 476
Sewerage	18 766 079	-	-	-	-	18 766 079	(2 438 452)	-	(328 841)	-	(497 368)	(3 262 661)	15 503 418
Electricity	118 253 271	-	2 849 283	-	-	121 102 554	(28 717 405)	-	(3 605 848)	-	(649 774)	(34 173 027)	86 929 527
Water	1 305 700 284	-	17 253 179	111 457 224	-	1 438 410 687	(319 690 522)	-	(42 173 297)	-	(4 417 351)	(366 281 170)	1 072 129 517
Solid waste	32 090 893	-	273 000	-	-	32 363 893	(22 702 488)	-	(188 140)	-	-	(22 890 628)	9 473 065
Work in progress - Infrastructure	384 189 051	(40 264 379)	199 187 696	(137 536 595)	-	405 575 973	(494 275 106)	(450 768)	(51 636 140)	-	(10 000 038)	(566 443 452)	2 030 125 597
	2 364 716 025	-	231 853 025	(1)	-	2 596 569 049	(494 275 106)	(450 768)	(51 636 140)	-	(10 000 038)	(566 443 452)	2 030 125 597

Analysis of property, plant and equipment as at 30 June 2021 Cost/Revaluation Accumulated depreciation

	WIP completed adjustment	Additions	Transfers-WIP completed	Disposals	Closing Balance	Opening Balance	Opening balance adjustment	Depreciation	Disposals	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets												
Historical monuments					1 621 944							1 621 944
					1 621 944							1 621 944
Other assets												
Furniture and fixtures		220 725			16 100 046	(11 639 323)		(1 061 191)			(12 700 514)	2 399 532
Plant and equipment		1 489 319			35 201 137	(15 128 630)		(2 704 826)			(17 831 456)	17 369 681
IT equipment		385 270			10 997 034	(7 042 334)		(1 134 365)			(8 176 699)	2 820 146
Motor vehicles		2 420 000			63 907 419	(32 366 210)		(3 368 859)			(35 735 069)	28 171 350
Gamma Animals		312 414		(866 392)	6 703 595							6 703 595
		4 757 728		(666 392)	132 909 231	(66 174 697)		(8 270 231)			(74 444 920)	58 464 303
Total property plant and equipment		253 989 692	(1)	(666 392)	3 231 717 024	(645 554 511)	(459 133)	(77 636 472)		(12 666 573)	(736 316 689)	2 495 400 335
Intangible assets												
Computers - software & programming		85 678			2 247 598	(1 448 944)		(224 952)			(1 673 596)	574 002
		65 678			2 247 598	(1 448 944)		(224 652)			(1 673 596)	574 002
Investment properties												
Investment property					15 544 854	(4 291 657)		(255 840)			(4 547 497)	10 997 357
					15 544 854	(4 291 657)		(255 840)			(4 547 497)	10 997 357
Total												
Land and buildings		17 369 939			500 615 800	(85 124 708)	(8 965)	(7 728 101)			(85 428 309)	405 188 491
Infrastructure		231 853 025	(1)		2 596 589 049	(494 275 106)	(450 188)	(61 636 140)		(2 586 535)	(656 443 452)	2 030 125 597
Heritage assets					1 621 944					(10 080 038)		1 021 944
Other assets		4 757 728		(666 392)	132 909 231	(66 174 697)		(8 270 231)			(74 444 920)	58 464 303
Intangible assets		65 678			2 247 598	(1 448 944)		(224 652)			(1 673 596)	574 002
Investment properties					15 544 854	(4 291 657)		(255 840)			(4 547 497)	10 997 357
		254 040 370	(1)	(666 392)	3 249 509 476	(651 295 112)	(459 133)	(78 116 964)		(12 666 573)	(742 637 782)	2 506 971 694

Nkomazi Local Municipality
Appendix E(1)
June 2021

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2021

	Current year 2020 Act. Bal.	Current year 2020 Adjusted budget Rand	Variance Rand	Explanation of Significant Variances greater than 10% versus Budget Var
Revenue				
Property rates	111 628 565	107 527 072	4 101 493	3.8
Service charges	154 903 299	166 965 407	(12 062 108)	(7.2)
Rental of facilities and equipment	4 233 087	4 431 380	(198 293)	(4.5)
Interest received (trading)	7 341 034	7 525 396	(184 362)	(2.4)
Agency services	-	-	-	-
Licences and permits	34 609	1 232 317	(1 197 708)	(97.2)
Fines, penalties and forfeits	3 727 285	17 564 172	(13 836 887)	(78.8)
Government grants and subsidies	1 010 831 505	1 011 764 250	(932 745)	(0.1)
Recoveries	29 958	13 088	16 870	128.9
Other income	5 667 324	4 944 485	722 839	14.6
Interest received - external	15 240 962	33 913 337	(18 672 375)	(55.1)
	1 313 637 628	1 355 880 904	(42 243 276)	(3.1)
Expenses				
Personnel	(583 684 097)	(507 888 328)	(75 795 769)	14.9
Remuneration of councillors	(33 062 673)	(33 907 254)	844 581	(2.5)
Depreciation and amortisation	(78 116 964)	(74 626 090)	(3 490 874)	4.7
Impairment loss	(12 666 572)	-	(12 666 572)	-
Finance costs	(664 160)	(516 834)	(147 326)	28.5
Debt Impairment	(8 338 950)	(17 754 689)	9 415 739	(53.0)
Lease rentals on operating lease	(6 835 144)	(6 884 507)	49 363	(0.7)
Bulk purchases	(96 910 918)	(92 963 572)	(3 947 346)	4.2
Contracted Services	(167 227 982)	(186 594 266)	19 366 284	(10.4)
Transfers and Subsidies	(6 591 653)	(6 964 059)	372 406	(5.3)
General Expenses	(164 704 069)	(167 057 390)	2 353 321	(1.4)
Loss on disposal of assets	(7 057 572)	-	(7 057 572)	-
Actuarial losses	(7 314 090)	-	(7 314 090)	-
Inventories losses/write- downs	(189 900)	-	(189 900)	-
	(1 173 364 744)	(1 095 156 989)	(78 207 755)	7.1
Net surplus/ (deficit) for the year	140 272 884	118 005 467	22 267 417	18.9

**Actual versus Budget (Acquisition of Property, Plant and Equipment) as
 at 30 June 2021**

	Additions		Original Budget		Revised Budget		Variance		Variance		Explanation of significant variances from budget
	Rand		Rand		Rand		Rand	%			
Municipality											
Executive & Council	800 000		900 000		1 900 000		1 100 000		58		
Budget and treasury	639 072		3 866 000		5 462 000		4 822 928		88		
Corporate services	-		271 000		271 000		271 000		100		
Planning and development	12 600		3 321 648		3 321 648		3 309 048		100		
Community & Social services	21 303 385		32 775 738		40 350 411		19 047 026		47		
Infrastructure and development	230 978 898		287 593 425		304 614 363		73 635 465		24		
	253 733 955		328 727 811		355 919 422		102 185 467		29		

Nkomazi Local Municipality
Appendix F
Disclosure of Grants and Subsidies in terms of the Municipal Finance
Management Act
June 2021

Name of Grants	Quarterly Receipts			
	Sep	Dec	Mar	Jun
Equitable Share	278 239 000	302 037 000	154 578 000	-
Municipal Infrastructure Grant (MIG)	121 052 000	52 961 000	46 721 000	-
Water Services Infrastructure Grant (WSIG)	13 000 000	14 200 000	12 800 000	-
Integrated National Electrification Programme Grant (INEP)	1 500 000	3 447 000	-	-
Finance Management Grant (FMG)	1 700 000	-	-	-
Expanded Public Works Programme Grant	1 564 000	2 815 000	1 876 000	-
Energy Efficiency and Demand Management Grant	-	-	-	-
Municipal Disaster Relief Grant	-	-	-	-
	417 055 000	375 460 000	215 975 000	-

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

Nkomazi Local Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2021

	2020/21				2019/20									
	Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)	Final Budget	Virement (i.e. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Functional														
Governance and administration	367 738 308	47 484 862	445 233 170	-	445 233 170	431 954 694	(13 278 476)	97 %	109 %				384 087 174	
Executive and council	6 255 000	-	6 255 000	-	6 255 000	6 255 000	-	100 %	100 %				7 029 000	
Finance and administration	361 483 308	47 484 862	438 978 170	-	438 978 170	425 699 694	(13 278 476)	97 %	109 %				377 058 174	
Community and public safety	16 920 729	37 451	16 958 180	-	16 958 180	3 201 594	(13 756 586)	19 %	19 %				6 558 283	
Continuity and public safety	84 253	47 253	131 506	-	131 506	98 938	(32 568)	75 %	117 %				72 092	
Community and social services	108 282	(6 720)	101 572	-	101 572	100 131	(1 441)	99 %	92 %				88 570	
Sport and recreation	18 728 184	(3 082)	16 725 102	-	16 725 102	3 002 507	(13 722 595)	18 %	18 %				6 397 631	
Public safety	12 067 733	(150 891)	11 916 742	-	11 916 742	8 702 516	(3 214 226)	73 %	72 %				12 296 321	
Economic and environmental services	10 897 457	(73 829)	10 823 628	-	10 823 628	7 602 920	(3 220 708)	70 %	70 %				8 914 622	
Planning and development	-	1 108	1 108	-	1 108	568	(540)	51 %	DIV/0 %				1 962 415	
Road transport	1 170 276	(78 270)	1 092 006	-	1 092 006	1 099 028	7 022	101 %	94 %				2 119 084	
Environmental protection	864 141 868	77 630 953	941 772 821	-	941 772 821	869 778 825	(71 993 997)	92 %	105 %				793 163 125	
Trading services	204 562 363	21 546 473	226 108 836	-	226 108 836	212 625 559	(13 483 277)	94 %	104 %				203 561 620	
Energy services	395 570 153	33 089 626	428 659 779	-	428 659 779	430 877 876	2 218 097	101 %	109 %				402 031 899	
Water management	113 053 387	7 775 770	120 829 157	-	120 829 157	120 056 340	(772 817)	99 %	106 %				103 622 514	
Waste water management	90 956 026	15 248 884	106 204 910	-	106 204 910	106 218 620	13 910	100 %	117 %				83 947 092	
Waste management	1 230 868 728	125 012 175	1 355 880 904	-	1 355 880 904	1 313 637 629	(42 243 275)	97 %	107 %				1 196 194 903	

Nkomazi Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2021

2020/21 2019/20

	Original Budget		Budget Adjustments (l.o. s28 and s31 of the MFMA)		Final Budget		Virement (l.o. Council approved policy)		Final Budget		Actual Outcome		Unauthorised expenditure		Variance of Actual Outcome against Adjustments Budget		Actual Outcome as % of Final Budget		Actual Outcome as % of Original Budget		Reported unauthorised expenditure		Expenditure authorised in terms of section 32 of MFMA		Balance to be recovered		Revised Audited Outcome		
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Revenue By Source																													
Property rates	105 073 250	2 453 822	107 527 072	-	-	111 628 585	111 628 585			123 002 654	111 469 059					4 101 493	104 %	106 %										102 927 280	
Service charges - electricity revenue	127 584 012	(4 581 358)	123 002 654	-	-	111 469 059	111 469 059			28 927 824	28 355 389					(11 533 585)	91 %	87 %										109 121 156	
Service charges - water revenue	27 013 480	1 914 344	28 927 824	-	-	28 355 389	28 355 389			5 205 772	5 210 572					(572 455)	98 %	105 %										25 832 550	
Service charges - sanitation revenue	9 287 789	(82 027)	9 205 762	-	-	9 828 157	9 828 157			9 828 157	9 868 280					4 800	100 %	99 %										4 931 860	
Service charges - refuse revenue	9 850 659	(21 502)	9 829 157	-	-	9 868 280	9 868 280			4 431 360	4 233 087					38 133	100 %	100 %										9 318 735	
Rental of facilities and equipment	4 430 272	1 108	4 431 380	-	-	4 233 087	4 233 087			33 913 337	15 240 962					(198 293)	96 %	96 %										4 357 740	
Interest earned - external investments	33 913 337	-	33 913 337	-	-	33 913 337	33 913 337			7 525 396	7 341 034					(184 362)	45 %	45 %										24 762 281	
Interest earned - outstanding debtors	8 309 817	(794 421)	7 515 396	-	-	7 525 396	7 525 396			17 564 172	3 727 286					(13 836 886)	21 %	22 %										7 691 111	
Fines, penalties and forfeits	16 711 946	852 226	17 564 172	-	-	17 564 172	17 564 172			1 232 317	34 609					(1 197 708)	3 %	3 %										8 637 233	
Licences and permits	1 232 317	-	1 232 317	-	-	1 232 317	1 232 317			765 772 290	753 435 345					(2 336 905)	100 %	116 %										967 633	
Transfers recognised - operational	649 409 863	106 352 427	755 762 290	-	-	753 435 345	753 435 345			4 957 573	5 697 282					738 709	115 %	159 %										607 906 588	
Other revenue	3 582 569	1 374 984	4 957 573	-	-	5 697 282	5 697 282			1 089 888 344	1 056 241 510					(43 647 434)	96 %	106 %										3 624 256	
Total Revenue (excluding capital transfers and contributions)	992 399 341	107 469 603	1 099 888 944	-	-	1 056 241 510	1 056 241 510			1 089 888 344	1 056 241 510					(43 647 434)	96 %	106 %										919 644 302	

Nkomazi Local Municipality

Appendix G3

Budgeted Financial Performance (revenue and expenditure)

for the year ended 30 June 2021

2020/21

2019/20

Expenditure By Type	Original Budget		Budget Adjustments (i.e. s28 and s31 of the MFMA)		Final Adjustments budget		Shifting of funds (i.e. s31 of the MFMA)		Virement (i.e. Council approved policy)		Final Budget		Actual Outcome		Unauthorised expenditure		Variance of Actual Outcome against Adjustments Budget		Actual Outcome as % of Final Budget		Actual Outcome as % of Original Budget		Reported unauthorised expenditure		Expenditure authorised in terms of section 32 of MFMA		Balance to be recovered		Restated Audited Outcome			
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		
Employee related costs	409 927 079	73 511 818	483 438 897	-	-	483 438 897	583 664 094	-	-	-	483 438 897	583 664 094	-	-	100 225 197	-	-	-	121 %	142 %	-	-	-	-	-	-	-	-	427 427 644	-	33 336 170	
Remuneration of councillors	28 941 177	-	28 941 177	-	-	28 941 177	38 082 875	-	-	-	28 941 177	38 082 875	-	-	9 141 698	-	-	-	127 %	127 %	-	-	-	-	-	-	-	-	8 039 240	-	80 307 388	
Debt impairment	22 754 889	(5 000 000)	17 754 889	-	-	17 754 889	8 339 950	-	-	-	17 754 889	8 339 950	-	-	9 415 739	-	-	-	47 %	37 %	-	-	-	-	-	-	-	-	-	-	895 264	
Depreciation & asset impairment	74 626 090	-	74 626 090	-	-	74 626 090	90 783 536	-	-	-	74 626 090	90 783 536	-	-	16 157 446	-	-	-	122 %	122 %	-	-	-	-	-	-	-	-	-	-	92 269 300	
Finance charges	516 834	-	516 834	-	-	516 834	664 160	-	-	-	516 834	664 160	-	-	147 326	-	-	-	129 %	129 %	-	-	-	-	-	-	-	-	-	-	31 046 165	
Bulk purchases	93 963 672	(1 000 000)	92 963 672	-	-	92 963 672	96 910 918	-	-	-	92 963 672	96 910 918	-	-	3 947 246	-	-	-	104 %	103 %	-	-	-	-	-	-	-	-	-	-	135 626 466	
Other materials	49 940 532	(4 133 535)	45 806 997	-	-	45 806 997	44 586 384	-	-	-	45 806 997	44 586 384	-	-	(1 218 613)	-	-	-	97 %	89 %	-	-	-	-	-	-	-	-	-	-	23 420 201	
Contracted services	158 749 731	4 676 745	163 426 476	-	-	163 426 476	167 227 981	-	-	-	163 426 476	167 227 981	-	-	3 801 505	-	-	-	102 %	105 %	-	-	-	-	-	-	-	-	-	-	134 507 059	
Transfers and subsidies	17 405 632	(10 441 573)	6 964 059	-	-	6 964 059	6 581 853	-	-	-	6 964 059	6 581 853	-	-	(372 406)	-	-	-	95 %	38 %	-	-	-	-	-	-	-	-	-	-	-	
Other expenditure	170 589 990	11 980 422	182 570 412	-	-	182 570 412	126 850 833	-	-	-	182 570 412	126 850 833	-	-	(55 619 579)	-	-	-	70 %	74 %	-	-	-	-	-	-	-	-	-	-	-	
Loss on disposal of PPE	-	-	-	-	-	-	7 057 572	-	-	-	-	7 057 572	-	-	7 057 572	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-	-	-	-	-	-	-	
Actual loss inventories losses/write-downs	-	-	-	-	-	-	7 314 090	-	-	-	-	7 314 090	-	-	7 314 090	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-	-	-	-	-	-	-	
Inventories losses/write-downs	-	-	-	-	-	-	189 900	-	-	-	-	189 900	-	-	189 900	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-	-	-	-	-	-	-	
Total Expenditure	1 025 415 326	69 741 663	1 095 156 989	-	-	1 095 156 989	1 173 364 746	-	-	-	1 095 156 989	1 173 364 746	-	-	78 207 757	-	-	-	107 %	114 %	-	-	-	-	-	-	-	-	-	-	-	866 824 896
Surplus/(Deficit)	(53 015 985)	37 747 940	4 731 955	-	-	4 731 955	(117 123 236)	-	-	-	4 731 955	(117 123 236)	-	-	(121 855 191)	-	-	-	(2 475)%	355 %	-	-	-	-	-	-	-	-	-	-	-	(47 179 994)
Transfers and subsidies - capital	238 469 388	17 922 572	256 391 960	-	-	256 391 960	257 396 118	-	-	-	256 391 960	257 396 118	-	-	1 004 158	-	-	-	101 %	108 %	-	-	-	-	-	-	-	-	-	-	-	276 460 000
Surplus/(Deficit) after capital transfers & contributions	205 453 403	55 270 512	260 723 915	-	-	260 723 915	140 272 883	-	-	-	260 723 915	140 272 883	-	-	(120 451 032)	-	-	-	54 %	68 %	-	-	-	-	-	-	-	-	-	-	-	229 280 006
Surplus/(Deficit) after taxation	205 453 403	55 270 512	260 723 915	-	-	260 723 915	140 272 883	-	-	-	260 723 915	140 272 883	-	-	(120 451 032)	-	-	-	54 %	68 %	-	-	-	-	-	-	-	-	-	-	-	229 280 006
Surplus/(Deficit) attributable to municipality	205 453 403	55 270 512	260 723 915	-	-	260 723 915	140 272 883	-	-	-	260 723 915	140 272 883	-	-	(120 451 032)	-	-	-	54 %	68 %	-	-	-	-	-	-	-	-	-	-	-	229 280 006
Surplus/(Deficit) for the year	205 453 403	55 270 512	260 723 915	-	-	260 723 915	140 272 883	-	-	-	260 723 915	140 272 883	-	-	(120 451 032)	-	-	-	54 %	68 %	-	-	-	-	-	-	-	-	-	-	-	229 280 006

**Nkomazi Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2021**

	2020/21				2021				
	Original Budget	Budget Adjustments (I.L.o. s28 and s31 of the MIPMA)	Final Budget adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Ratepayers and other Government - operating	266 692 833	-	266 692 833	268 473 182	1 780 349	101 %	101 %	235 608 192	
Government - capital	674 703 791	-	674 703 791	753 435 395	78 731 594	112 %	112 %	600 406 568	
Interest	268 423 000	-	268 423 000	257 396 120	(11 026 880)	96 %	96 %	276 480 000	
Suppliers and employees	67 826 874	-	67 826 874	15 240 952	(52 585 922)	22 %	22 %	24 782 281	
Finance charges	(937 842 304)	-	(937 842 304)	0 11 736 343	(173 894 939)	121 %	121 %	(849 702 880)	
	-	-	-	(684 160)	(684 160)	DIV0 %	DIV0 %	(695 254)	
Net cash flow from/used operating activities	439 803 994	-	439 803 994	282 145 146	(157 658 848)	64 %	64 %	286 658 887	
Cash flow from investing activities									
Capital assets	(328 727 811)	-	(328 727 811)	(253 733 957)	74 993 854	77 %	77 %	(271 549 371)	
Net cash flow from/used investing activities	(328 727 811)	-	(328 727 811)	(253 733 957)	74 993 854	77 %	77 %	(271 549 371)	
Cash flow from financing activities									
Repayment of borrowing	-	-	-	(529 993)	(529 993)	DIV0 %	DIV0 %	(2 194 378)	
Net cash flow from/used financing activities	-	-	-	(529 993)	(529 993)	DIV0 %	DIV0 %	(2 194 378)	
Net increase(decrease) in cash hold Cash/cash equivalents at the year begin:	111 076 183	-	111 076 183	27 881 196	(83 194 987)	25 %	25 %	12 915 148	
	57 791 344	(57 791 344)	-	32 653 192	-	-	-	205 822 074	
Cash/cash equivalents at the year end:	168 867 527	(57 791 344)	111 076 183	111 076 183	60 534 378	(83 194 987)	54 %	36 %	