



Mkhambathini Municipality  
(Registration number KZN 226)  
Annual Financial Statements  
for the year ended 30 June 2021

# Mkhambathini Municipality

(Registration number KZN 226)

Annual Financial Statements for the year ended 30 June 2021

## General Information

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<b>Legal form of entity</b>	Municipality
<b>Nature of business and principal activities</b>	Delivering of basic services to the community (refuse removal, road and electricity infrastructure and other community socio-activities)
<b>Mayoral committee</b>	Cllr E Ngcongco (Mayor and EXCO Chair) Cllr LZ Lembethe (Deputy Mayor and EXCO Member) Cllr TA Gwala (Speaker)
<b>Councillors</b>	Cllr KR Mofokeng (EXCO Member) Cllr RN Lembethe (MPAC Chair) Cllr MR Ntuli Cllr RN Zondo (MPAC Member) Cllr RB Mkhize (MPAC Member) Cllr MR Shandu Cllr S Ngidi (MPAC Member) Cllr NW Ntombela Cllr ZF Mbambo Cllr PN Maphanga Cllr NN Phungula (MPAC Member)
<b>Chief Finance Officer (CFO)</b>	Mr TE Gambu
<b>Municipal Website</b>	<a href="http://www.mkhambathini.gov.za">www.mkhambathini.gov.za</a>
<b>Business address</b>	18 Old Main Road Camperdown 3720
<b>Postal address</b>	Private Bag X04 Camperdown 3720
<b>Contact number</b>	031 785 9300
<b>Auditors</b>	Auditor-General
<b>Bank</b>	First National Bank

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## Index

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

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
COVID 19	Corona Virus Disease 2019
FNB	First National Bank
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
SARS	South African Revenue Services
VAT	Value Added Tax
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
INEP	Integrated National Electrification Program
MPRA	Municipal Property Rates Act
EPWP	Extended Public Works Program

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## Accounting Officer's Responsibilities and Approval

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

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

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

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

The 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, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 26 of these annual financial statements are within the upper limit of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Office Bearer Act 20 of 1998 and the Minister of Provincial and Local Government determination in accordance with this Act.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

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**Accounting Officer**  
**Mr S Mngwengwe**

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## Accounting Officer' s Report

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

### 1. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### 2.

The accounting officer details during the year and to the date of this report:

Name	Nationality
Mr S Mngwengwe	South African

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## Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	8	48 233	221 071
Operating lease asset	6	88 400	88 400
Receivables from exchange transactions	9&13	1 857 692	1 642 306
Receivables from non-exchange transactions	10&13	9 469 610	15 044 885
VAT receivable	11	4 479 855	-
Cash and cash equivalents	14	50 406 257	65 454 699
		<b>66 350 047</b>	<b>82 451 361</b>
<b>Non-Current Assets</b>			
Investment property	3	10 965 000	10 405 000
Property, plant and equipment	4	178 019 955	150 907 536
Intangible assets	5	293 622	488 430
		<b>189 278 577</b>	<b>161 800 966</b>
<b>Total Assets</b>		<b>255 628 624</b>	<b>244 252 327</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	17	5 509 184	3 935 432
VAT payable	18	-	1 029 409
Unspent conditional grants and receipts	15	444 067	444 067
Provisions	16	2 904 876	2 576 332
		<b>8 858 127</b>	<b>7 985 240</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	7	5 144 000	4 158 000
<b>Total Liabilities</b>		<b>14 002 127</b>	<b>12 143 240</b>
<b>Net Assets</b>		<b>241 626 497</b>	<b>232 109 087</b>
Reserves			
Revaluation reserve		1 253 400	693 400
Accumulated surplus		240 373 097	231 415 687
<b>Total Net Assets</b>		<b>241 626 497</b>	<b>232 109 087</b>

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## Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	533 496	528 201
Interest received (trading)		2 596 078	4 304 939
Commissions received		1 781 973	1 315 691
Other income	22	3 154 368	685 628
Actuarial gains		-	52 048
<b>Total revenue from exchange transactions</b>		<b>8 065 915</b>	<b>6 886 507</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	23	19 217 482	17 369 337
Property rates - penalties imposed	23	-	940 603
<b>Transfer revenue</b>			
Government grants & subsidies	24	111 294 000	85 168 060
Fines, Penalties and Forfeits		-	23 190
Licenses and Permits		3 567 463	3 508 816
Other income		90 416	96 755
<b>Total revenue from non-exchange transactions</b>		<b>134 169 361</b>	<b>107 106 761</b>
<b>Total revenue</b>	19	<b>142 235 276</b>	<b>113 993 268</b>
<b>Expenditure</b>			
Employee related costs	25	(43 685 030)	(37 703 649)
Remuneration of councillors	26	(6 021 517)	(6 023 555)
Depreciation and amortisation	28	(10 253 957)	(9 089 545)
Reversal of impairments	29	(502 043)	(228 980)
Debt Impairment	30	(5 166 507)	(4 890 036)
Loss on disposal of assets and liabilities / (Transfers to organ of state)		(1 688 688)	(113 285)
Actuarial losses		(986 000)	-
General Expenses	31	(63 713 103)	(41 996 000)
External Auditors		(1 261 022)	(1 173 306)
<b>Total expenditure</b>		<b>(133 277 867)</b>	<b>(101 218 356)</b>
<b>Surplus for the year</b>		<b>8 957 409</b>	<b>12 774 912</b>

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## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
<b>Balance at 01 July 2019</b>	-	<b>218 640 775</b>	<b>218 640 775</b>
Changes in net assets			
Surplus for the year	-	12 774 912	12 774 912
Revaluation of Investment Property	693 400	-	693 400
Total changes	693 400	12 774 912	13 468 312
<b>Balance at 01 July 2020</b>	<b>693 400</b>	<b>231 415 688</b>	<b>232 109 088</b>
Changes in net assets			
Surplus for the year	-	8 957 409	8 957 409
Revaluation of Investment Property	560 000	-	560 000
Total changes	560 000	8 957 409	9 517 409
<b>Balance at 30 June 2021</b>	<b>1 253 400</b>	<b>240 373 097</b>	<b>241 626 497</b>
Note(s)			



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## Cash Flow Statement

Figures in Rand	Note(s)	2021	2020
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		28 538 580	22 533 972
Grants		111 293 999	85 143 001
Interest income		2 596 078	5 085 639
		<u>142 428 657</u>	<u>112 762 612</u>
<b>Payments</b>			
Employee costs		(43 685 030)	(37 703 649)
Remuneration of Councillors		(6 021 517)	(6 023 555)
Cash paid to Suppliers		(68 405 222)	(43 541 627)
		<u>(118 111 769)</u>	<u>(87 268 831)</u>
<b>Net cash flows from operating activities</b>	34	<b><u>24 316 888</u></b>	<b><u>25 493 781</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(39 349 463)	(23 679 408)
Purchase of other intangible assets	5	-	(300 825)
Proceeds from sale of other intangible assets	5	(15 867)	-
<b>Net cash flows from investing activities</b>		<b><u>(39 365 330)</u></b>	<b><u>(23 980 233)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(15 048 442)</u></b>	<b><u>1 513 548</u></b>
Cash and cash equivalents at the beginning of the year		65 454 699	63 941 151
<b>Cash and cash equivalents at the end of the year</b>	14	<b><u>50 406 257</u></b>	<b><u>65 454 699</u></b>

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	574 000	-	<b>574 000</b>	533 496	<b>(40 504)</b>	a
Interest received (trading)	3 850 000	-	<b>3 850 000</b>	2 596 078	<b>(1 253 922)</b>	d
Commissions received	1 883 000	-	<b>1 883 000</b>	1 781 973	<b>(101 027)</b>	b
Other income - (rollup)	345 000	-	<b>345 000</b>	3 154 368	<b>2 809 368</b>	c
<b>Total revenue from exchange transactions</b>	<b>6 652 000</b>	<b>-</b>	<b>6 652 000</b>	<b>8 065 915</b>	<b>1 413 915</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	19 782 000	-	<b>19 782 000</b>	19 217 482	<b>(564 518)</b>	e
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##### Transfer revenue

Government grants & subsidies	73 463 000	12 032 000	<b>85 495 000</b>	111 294 000	<b>25 799 000</b>	f
Fines, Penalties and Forfeits	34 000	-	<b>34 000</b>	-	<b>(34 000)</b>	d
Other transfer revenue 1	1 174 000	1 526 000	<b>2 700 000</b>	3 567 463	<b>867 463</b>	
Other transfer revenue 2	7 121 000	1 000	<b>7 122 000</b>	90 416	<b>(7 031 584)</b>	

<b>Total revenue from non-exchange transactions</b>	<b>101 574 000</b>	<b>13 559 000</b>	<b>115 133 000</b>	<b>134 169 361</b>	<b>19 036 361</b>	
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<b>Total revenue</b>	<b>108 226 000</b>	<b>13 559 000</b>	<b>121 785 000</b>	<b>142 235 276</b>	<b>20 450 276</b>	
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#### Expenditure

Personnel	(44 692 000)	-	<b>(44 692 000)</b>	(43 685 030)	<b>1 006 970</b>	g
Remuneration of councillors	(6 374 000)	-	<b>(6 374 000)</b>	(6 021 517)	<b>352 483</b>	h
Depreciation and amortisation	(10 563 000)	-	<b>(10 563 000)</b>	(10 253 957)	<b>309 043</b>	j
Impairment loss/ Reversal of impairments	(610 000)	-	<b>(610 000)</b>	(502 043)	<b>107 957</b>	j

Debt Impairment	(3 140 000)	-	<b>(3 140 000)</b>	(5 166 507)	<b>(2 026 507)</b>	k
General Expenses	(56 158 000)	(21 003 000)	<b>(77 161 000)</b>	(64 974 125)	<b>12 186 875</b>	i

<b>Total expenditure</b>	<b>(121 537 000)</b>	<b>(21 003 000)</b>	<b>(142 540 000)</b>	<b>(130 603 179)</b>	<b>11 936 821</b>	
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<b>Operating surplus</b>	<b>(13 311 000)</b>	<b>(7 444 000)</b>	<b>(20 755 000)</b>	<b>11 632 097</b>	<b>32 387 097</b>	
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Loss on disposal of assets and liabilities	-	-	-	(1 688 688)	<b>(1 688 688)</b>	m
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Actuarial gains/losses	-	-	-	(986 000)	<b>(986 000)</b>	
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	-	-	-	<b>(2 674 688)</b>	<b>(2 674 688)</b>	
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<b>Surplus before taxation</b>	<b>(13 311 000)</b>	<b>(7 444 000)</b>	<b>(20 755 000)</b>	<b>8 957 409</b>	<b>29 712 409</b>	
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<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(13 311 000)</b>	<b>(7 444 000)</b>	<b>(20 755 000)</b>	<b>8 957 409</b>	<b>29 712 409</b>	
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#### Reconciliation

# Mkhambathini Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

- a) Service charges -The anticipated billing amount was affected by 7 % due to static in the number of customers who are offered the service and also due to COVOD 19 regulation
- b) Commission receivable - The item was budgetd under licence and permits but for reporting purposes it was separated to commission received item.
- c) Other income -The other income has increase due to the low budget to this line item and we have received more than what we budgeted for
- d) Interest received- This is the interest on investment we only budget for the R 3 850 000. The low collection was due to drop in the interest rates and the banks had quote on the low rates
- e)Property rates-The 3%was done by the changes on the Supplemental Valuation Roll
- f) Government Grants - The municipality has manage to utilize all grants were allocated for this financial year
- g) Employee Related cost -The employee related cost budget excludes all expenditure funded by grants when the budget was done however reporting as per MSCOA requirement as those expenses were reallocated to each item not considering the funding source .The municipality has a serving due to unfilled position and resignation for Director Corporate Servises also the lock down has impact of this
- h)Remuneration for councillors -We were looked to get gazette for allowances increase increases for councillors but Cogta did not issue that that gazette for increase for councillors allowances
- i) Contribution to medical aid and long service award -This item was not budgeted for as this is variable depending on the valuation done by tan actuary .This is the non-cash item
- j) Depreciation-The depreciation is within the budget
- k) Debt Impairment - This increase because the municipality made a correction for prior period error for debt impairment and the budget did not cover all debt imaiment total for this financial year
- l) General Expenses The municipality has impliment the cost containment measures as per the municipality policy
- m) Loss on disposal of assets assets and liabilities -This item was not provided for on the municipal budget and it is non cash item

# Mkhambathini Municipality

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## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

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

#### 1.1 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. Estimates were used on the following elements: Property, plant and equipment, Post employment benefits, defined contribution plans, employee benefits, provisions and contingencies and intangible assets

#### 1.2 Investment property

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

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

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

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

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. The Subsequent measurement of investment properties is carried at (fair value) .

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

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## Accounting Policies

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### 1.2 Investment property (continued)

#### Fair value

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

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

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

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

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

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

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

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

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

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

- The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.
- The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements

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## Accounting Policies

### 1.3 Property, plant and equipment

Property, plant and equipment is initially measured at cost. Property, Plant and Equipment is carried at cost less accumulated depreciation and impairment losses (Cost Model)

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

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

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

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

Property, plant and equipment are depreciated on the straight line basis over their useful lives to their estimates.

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

Item	Depreciation method	Average useful life
Buildings		
• Animal pound and Parkhomes	Straight line	30
Plant and machinery		
• Brush cutters and Lawn Mowers	Straight line	3 - 15
• Tractors	Straight line	10 - 25
• Guardriens and Boreholes	Straight line	15
Furniture and fixtures		
• Chairs and Sofas	Straight line	5 - 20
• Bookshelves and Cabinet	Straight line	7 - 20
• Desks and Tables	Straight line	7 - 20
Motor vehicles		
• Motor Vehicles	Straight line	7 - 20
Office equipment		
• Printers	Straight line	3-9
• Cameras	Straight line	3-9
• Video Cameras	Straight line	3-9
IT equipment		
• Laptop	Straight line	3-8
• Desktop	Straight line	3-8
• Central Processing unit	Straight line	3-8
Infrastructure		
• Roads and Paving	Straight line	10-30
• Stormwater	Straight line	20-25
Community		
• Building (Halls ,change rooms ,Taxi rank building and toilets)	Straight line	30
• Grand stand and Paved Area	Straight line	20-30
• Sportfield ,combination court ,fences ,Water tanks	Straight line	10-18
Other		
• Tools and equipment	Straight line	3-9
• Plant and Equipment	Straight line	2-25
• Office Equipment	Straight line	3-9
Security Measures		
• Walls	Straight line	30
• Gates and Fencing	Straight line	10

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

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## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

### 1.4 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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### 1.4 Intangible assets (continued)

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	Useful life
Computer software, other	3-5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

### 1.5 Financial instruments

Initial recognition and measurements

Financial instruments are recognised initially when the Municipality becomes a party to the contractual provisions of the instrument

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Receivables from exchange transaction. Trade receivables are measured at initial recognition at fair value. Trade and other receivables are classified as receivables. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad Debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Liabilities are generally settled within the period of 30 days; accordingly, any impairment, if any, are considered to be immaterial.

Cash and cash equivalent: Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

### 1.6 Tax

#### Income tax expense

No provision has been made for income tax as the municipality is exempt from taxation in terms of section 10 (1) (A) of the Income Tax Act.

#### VALUE ADDED TAX (VAT) :

The municipality accounts for VAT on the cash / payments basis. VAT output is paid over to SARS once the cash is received from the customer and VAT input is claimed when suppliers are paid.

### 1.7 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. Operating leases are those leases that are not finance leases. Operating lease rentals are expensed on the straight line basis.



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### 1.7 Leases (continued)

#### Operating leases - lessor

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

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

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

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

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

#### 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.

### 1.8 Inventories

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

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

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

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

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

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

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

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

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

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.

### 1.9 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.

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

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

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

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

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

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

Useful life is either:

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash generating assets are as follows:

#### Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

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

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Reversal of impairment loss

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

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

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

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

#### Redesignation

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

### 1.10 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.

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### 1.10 Impairment of non-cash-generating assets (continued)

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

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

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

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

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

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

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

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

Useful life is either:

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

### Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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### 1.10 Impairment of non-cash-generating assets (continued)

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Reversal of an impairment loss

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

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

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

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

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

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### 1.10 Impairment of non-cash-generating assets (continued)

#### Redesignation

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

### 1.11 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

### 1.12 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

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### 1.12 Employee benefits (continued)

#### Post-employment benefits: Defined contribution plans

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

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

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

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

Contributions to Natal Joint Municipal Pension Fund ( NJMPF) and are made as follows :

- Provident 1 - 21 Members - 5 % council 9 %
- Provident 2 - 7 Members - 7 % council 18.04 %
- Provident 3 - 4 Members - 9.25 % Council 13.65%
- Retirement 2 Members - 7 % Council - 13.65 %
- Superannuation 45 Members - 9.25 % Council - 25 %

### 1.13 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.

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.

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

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

### 1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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### 1.14 Commitments (continued)

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases, approved and contracted commitments
- 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.
- An additional disclosure has been made for future commitments which are mainly informed by the approved budget for capital projects to be implemented in the next financial year and are disclosed as approved and not yet contracted for.

### 1.15 Revenue Recognition

Revenue is recognised at cost and no interest is recognised as a result of any time value of money adjustments.

#### Measurement

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

### 1.16 Revenue from non-exchange transactions

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

### 1.17 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.

### 1.18 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification prior period comparative amounts are reclassified. The nature and the reason for the reclassification is disclosed.

### 1.19 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 financial performance 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 financial performance.

### 1.20 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 financial performance 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 financial performance.



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### 1.21 Irregular expenditure

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

### 1.22 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

### 1.23 Conditional Grants and Receipts

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

### 1.24 Presentation of budget information

Municipality is typically subjected 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 an accrual basis and presented by economic classification linked to performance outcome objectives.

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

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.

### 1.25 Related parties

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

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

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

### 1.26 Expenditure

The municipality uses the accrual basis of accounting when expenditure items are recognised (the elements of financial statements) when they satisfy the definitions and recognition criteria for elements in the Framework for the Preparation and Presentation of Annual Financial Statements. The expenditure is recognised in terms of GRAP standards (GRAP 1) and the municipality Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

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## Notes to the Annual Financial Statements

Figures in Rand

2021

2020

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods:

GRAP 32 Service Concession Arrangement : Grantor

The Municipality has used this standard in developing an accounting policy as per directive 5. The transitional provision for this standard in terms of directive 4 is as follows; When the municipality initially adopts a standard of GRAP, GRAP 3 requires a municipality to apply the requirements of the standard being adopted retrospectively.

GRAP 108 Statutory Receivables (Transitional Provisions)

GRAP 108: Statutory receivables became effective in the current financial year. The Standard defines statutory receivables as receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. The municipality have one class of receivables that meet the criteria of statutory receivables, being property rates, which are levied in terms of the Municipal Property Rates Act. Property rates are currently disclosed as part of consumer debtors in Note 10. These statutory receivables are initially and subsequently measured using the principles of GRAP 104: Financial instruments, which are consistent in all material respects with the measurement principles in GRAP 108. The accounting policy on debtors has not been changed in respect of the classification and measurement of statutory receivables since the municipality has opted to apply the transitional provisions of Directive 4 in terms of not changing the classification and measurement of the debtors while the full implications of compliance with GRAP 108 is still under review. There are currently no statutory receivables classified and measured in accordance with GRAP 108. The impact of complying with GRAP 108 will be on the classification of debtors since statutory receivables will be disclosed separately on the financial statements. The measurement basis is considered appropriate. The municipality has developed an accounting policy for statutory receivables, which is subject to approval by Council and will be implemented during the 2021/22 financial year after having reviewed the impact of the classification, measurement and disclosure in terms of the information currently provided to the various stakeholders.

GRAP 109 Accounting by principals and Agents

The Municipality has used this standard in developing an accounting policy as per directive 5. The transitional provision for this standard in terms of directive 4 is as follows; When the municipality initially adopts a standard of GRAP, GRAP 3 requires a municipality to apply the requirements of the standard being adopted retrospectively.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 104 :(Amended) Financial Instruments	01 April 2021	Currently being assessed
Directive 7 :(Revised) The application of Deemed cost	01 April 2021	Currently being assessed

## Mkhambathini Municipality

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### Notes to the Annual Financial Statements

Figures in Rand

#### 3. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	10 965 000	-	10 965 000	10 405 000	-	10 405 000

#### Reconciliation of investment property - 2021

	Opening balance	Revaluations	Total
Investment property	10 405 000	560 000	10 965 000

#### Reconciliation of investment property - 2020

	Opening balance	Revaluations	Total
Investment property	9 711 600	693 400	10 405 000

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. The addition of R 560 000 was done to our Investment property due to implementation of new property valuation roll.

# Mkhambathini Municipality

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## Notes to the Annual Financial Statements

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### 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	728 000	-	728 000	728 000	-	728 000
Buildings	12 952 809	(4 150 056)	8 802 753	12 709 809	(3 780 254)	8 929 555
Furniture and Fixtures	1 590 147	(838 131)	752 016	1 493 120	(737 008)	756 112
Capital Work in Progress	17 725 037	-	17 725 037	15 584 265	-	15 584 265
Motor vehicles	7 267 752	(2 864 085)	4 403 667	7 188 171	(2 409 012)	4 779 159
Office equipment	1 350 650	(798 325)	552 325	1 289 903	(672 874)	617 029
IT equipment	2 218 591	(1 210 672)	1 007 919	1 991 923	(971 577)	1 020 346
Infrastructure	85 280 312	(23 753 692)	61 526 620	68 985 976	(21 249 597)	47 736 379
Community	110 532 850	(29 061 396)	81 471 454	94 466 303	(24 767 458)	69 698 845
Other property, plant and equipment	1 958 104	(907 940)	1 050 164	1 821 836	(763 990)	1 057 846
<b>Total</b>	<b>241 604 252</b>	<b>(63 584 297)</b>	<b>178 019 955</b>	<b>206 259 306</b>	<b>(55 351 770)</b>	<b>150 907 536</b>

# Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	728 000	-	-	-	-	-	728 000
Buildings	8 929 555	243 000	-	-	(369 802)	-	8 802 753
Furniture and Fixtures	756 112	117 290	(3 166)	-	(118 095)	-	752 016
Capital Work in Progress	15 584 265	36 832 011	-	(34 691 240)	-	-	17 725 037
Motor vehicles	4 779 159	559 690	(132 015)	-	(803 166)	-	4 403 667
Office equipment	617 029	98 500	(3 896)	-	(158 697)	-	552 325
IT equipment	1 020 346	253 831	(9 443)	-	(255 180)	-	1 007 919
Infrastructure	47 736 379	19 650 848	(1 504 787)	-	(4 165 747)	(206 525)	61 526 620
Community	69 698 845	16 114 738	(14 317)	-	4 032 295	(295 518)	81 471 454
Other property, plant and equipment	1 057 846	170 795	(5 196)	-	(171 049)	-	1 050 164
	<b>150 907 536</b>	<b>74 040 703</b>	<b>(1 672 820)</b>	<b>(34 691 240)</b>	<b>(2 009 441)</b>	<b>(502 043)</b>	<b>178 019 955</b>

# Mkhambathini Municipality

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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	Disposals	Transfers	Depreciation	Total
Land	728 000	-	-	-	-	728 000
Buildings	8 672 691	700 541	(88 351)	-	(355 326)	8 929 555
Furniture and Fixtures	449 009	416 938	(10 218)	-	(99 618)	756 112
Capital Work in Progress	8 834 279	19 383 323	-	(12 633 336)	-	15 584 265
Motor vehicles	4 604 463	920 056	-	-	(745 359)	4 779 159
Office equipment	464 148	289 262	(7 019)	-	(129 362)	617 029
IT equipment	572 198	656 183	(62 604)	-	(145 430)	1 020 346
Infrastructure	44 472 024	6 839 177	-	-	(3 574 823)	47 736 379
Community	67 688 578	6 014 958	(88 203)	-	(3 916 489)	69 698 845
Other property, plant and equipment	100 226	1 092 305	(4 284)	-	(130 400)	1 057 846
	<b>136 585 616</b>	<b>36 312 743</b>	<b>(260 679)</b>	<b>(12 633 336)</b>	<b>(9 096 807)</b>	<b>150 907 536</b>

#### Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	596 790	14 987 477	15 584 267
Additions/capital expenditure	24 337 405	12 494 605	36 832 010
Transferred to completed items	(19 508 348)	(15 182 891)	(34 691 239)
	<b>5 425 847</b>	<b>12 299 191</b>	<b>17 725 038</b>

# Mkhambathini Municipality

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## Notes to the Annual Financial Statements

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### 4. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Total
Opening balance	-	8 834 279	8 834 279
Additions/capital expenditure	7 435 967	11 947 356	19 383 323
Transferred to completed items	(6 839 177)	(5 794 158)	(12 633 335)
	<b>596 790</b>	<b>14 987 477</b>	<b>15 584 267</b>

#### 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

Building and Facilities	3 952 482	7 555 479
Road Infrastructure	21 814 758	2 545 459
Motor Vehicles	765 460	485 287
	<b>26 532 700</b>	<b>10 586 225</b>

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.

# Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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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	1 271 555	(977 933)	293 622	1 383 449	(895 019)	488 430

#### Reconciliation of intangible assets - 2021

	Opening balance	Disposals	Amortisation	Total
Computer software, other	488 430	(15 867)	(178 941)	293 622

#### Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	409 323	300 825	(221 718)	488 430

### 6. Operating lease asset (accrual)

Current assets	88 400	88 400
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## Notes to the Annual Financial Statements

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### 7. Employee benefit obligations

#### Defined benefit plan

#### Post retirement benefit plan

The municipal personnel are member of the Natal Joint Municipal Pension Fund, mainly Superannuation, Retirement and Provident Funds and there are few members who contribute to GEPPF due to the fact that they were employed before the local government establishment. As the aforementioned funds multi-employer funds, the allocation of any surplus/ deficit to individuals funds cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific fund and is of no relevance to users of the Annual Financial Statements.

#### Post retirement medical aid plan

#### POST RETIREMENT MEDICAL BENEFITS

The Council operates a defined medical aid benefit scheme for the benefit of its permanent employees. Post -retirement medical benefits are offered to all employees by subsidising a portion of the medical aid contribution after retirement.

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

#### Carrying value

Employee Benefit Obligation	5 144 000	4 158 000
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#### Entity's own financial instruments [state each category]

Number of in - service members	60	47
Average age	40.0	40.3
Average past service	10.1	9.1
Average present value of subsidy at retirement	R 2 493 R	2 231

#### Summary of the in-service membership

	Female	Male	Total
Number of in-service members	50	20	70
Average age	39.8	40.7	40.3
Average past service	10.0	8.3	9.1
Average number of dependents	1.7	1.8	1.7
	-	-	-

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouse.

#### Decremental withdrawal rates

Age 20-24	9 %	9 %
Age 25-29	8 %	8 %
Age 30-34	6 %	6 %
Age 35-39	5 %	5 %
Age 40-44	5 %	5 %
Age 45-49	4 %	4 %
Age 55-59	3 %	3 %
Age 55+	0 %	0 %
	-	-

# Mkhambathini Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 7. Employee benefit obligations (continued)

#### Net expense recognised in the statement of financial performance

Current service cost	2 374 000	2 590 571
Past service cost	183 000	245 830
Interest cost	273 000	255 948
Actuarial (gains) losses	333 000	(718 349)
	<b>3 163 000</b>	<b>2 374 000</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.00 %	11.00 %
Expected rate of return on assets	7.00 %	7.00 %
Expected rate of return on reimbursement rights	3.00 %	3.00 %
Actual return on reimbursement rights	5.00 %	5.00 %
Medical cost trend rates	6.00 %	6.00 %

#### Demographic Assumptions

Demographic assumptions are required to estimate the changing profile of current employees and retirees who are eligible for post-employment benefits.

#### Pre-retirement Mortality

SA 85 - 90 ultimate table, adjusted for female lives.

#### Post retirement Mortality

PA (90) ultimate table

#### Average Retirement Age

The normal retirement age of employees is 65 for both male and females. It has been assumed that in-service members will retire at age 62 on average, which effectively implies that the expected rates of ill-health and early retirement are nil.

# Mkhambathini Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>7. Employee benefit obligations (continued)</b>		
<b>Long Service Awards and Retirement Gifts</b>		
The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service.		
<b>Accrued liability</b>		
Accrued liability (Non- current liability)	1 981 000	1 784 000
<b>Comparison of assumption</b>		
Discount rate per annum	9.7 %	7.0 %
General salary inflation rate (long term)	5.9 %	4.0 %
Net effective discount rate	3.6 %	3.0 %
Retirement age (Average)	62	62
<b>Comparison of eligible employees</b>		
Number of eligible employee	116	114
Average annual salary	220 876	220 471
Salary -weighted average	40.3	39.0
Salary-weighted average age past service	8.7	7.0
Average retirement age	65	
Pre-retirement mortality	SA 85 - 90	
<b>Withdrawals rates</b>		
Age 20-24	9 %	9 %
Age 25-29	8 %	8 %
Age 30-34	6 %	6 %
Age 35-39	5 %	5 %
Age 40-44	5 %	5 %
Age 45-49	4 %	4 %
Age 50-54	3 %	3 %
Age 55+	0 %	0 %
	-	-
<b>Past year and future projected liability</b>		
Opening accrued liability	1 784 000	1 619 424
Current Service cost	220 000	180 829
Interest Cost	134 000	128 528
Benefit vesting	(165 360)	(104 798)
Actuarial loss/ Gain	8 360	(39 983)
	<b>1 981 000</b>	<b>1 784 000</b>
<b>8. Inventories</b>		
Stores, materials and fuels	48 233	221 071
<b>9. Receivables from exchange transactions</b>		
Deposits	964 896	964 896
Other debtors	37 206	7 597
Other debtors - UMDM	216 598	111 269
Consumer debtors - Refuse	638 992	558 544
	<b>1 857 692</b>	<b>1 642 306</b>

# Mkhambathini Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>10. Receivables from non-exchange transactions</b>		
Consumer debtors - Rates	9 469 610	15 044 885
<b>11. VAT receivable</b>		
VAT	4 479 855	-
<b>12. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	30 094 472	30 503 240
Refuse	784 876	704 428
Other debtors UMDM	216 598	111 269
	<b>31 095 946</b>	<b>31 318 937</b>
<b>Less: Allowance for impairment</b>		
Rates	(20 615 408)	(15 604 239)
Refuse	(155 338)	(145 884)
	<b>(20 770 746)</b>	<b>(15 750 123)</b>
<b>Rates</b>		
Current (0 -30 days)	1 259 801	1 066 062
31 - 60 days	839 466	847 756
61 - 90 days	494 617	693 875
91 - 120 days	450 838	634 528
121 - 180 days	459 955	498 006
> 180 days	5 964 933	11 304 658
	<b>9 469 610</b>	<b>15 044 885</b>
<b>Refuse</b>		
Current (0 -30 days)	43 436	45 471
31 - 60 days	21 323	27 501
61 - 90 days	15 197	23 016
91 - 120 days	12 787	21 096
121 - 180days	12 307	18 836
> 180 days	533 942	422 624
	<b>638 992</b>	<b>558 544</b>
<b>Other debtors -UMDM</b>		
Current (0 -30 days)	105 329	111 269
> 365 days	111 269	-
	<b>216 598</b>	<b>111 269</b>
An amount of R 216 598 has been raised as at 30 June 2021(R 111 269 June 2020) against uMgungundlovu District Municipality for the electricity usage for sewerage Pump site which was incorrectly paid by Mkhambathini Municipality.		
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(15 604 239)	(10 714 203)
Contributions to allowance	(5 166 507)	(4 890 036)
	<b>(20 770 746)</b>	<b>(15 604 239)</b>

No councillors were in arrears with the municipality at the end of the financial year.

# Mkhambathini Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 13. Consumer debtors disclosure

#### Gross balances

Consumer debtors - Rates	30 094 472	30 503 240
Consumer debtors - Electricity	216 598	111 269
Consumer debtors - Refuse	784 876	704 428
	<b>31 095 946</b>	<b>31 318 937</b>

#### Less: Allowance for impairment

Consumer debtors - Rates	(20 624 862)	(15 458 355)
Consumer debtors - Refuse	(145 884)	(145 884)
	<b>(20 770 746)</b>	<b>(15 604 239)</b>

#### Net balance

Consumer debtors - Rates	9 469 610	15 044 885
Consumer debtors - Electricity	216 598	111 269
Consumer debtors - Refuse	638 992	558 544
	<b>10 325 200</b>	<b>15 714 698</b>

### 14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand /Float	3 000	3 000
First National Bank -Account number - 6283 9533000 (Primary Account)	33 955 355	20 217 910
FNB Call Account - Account number - 6283 1920 766	16 447 902	45 233 789
	<b>50 406 257</b>	<b>65 454 699</b>

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
STD BANK	-	-	6 646 079	-	-	6 804 197
Cash on Hand -Petty Cash	3 000	3 000	2 037	3 000	3 000	2 037
FBN Call Account	16 447 902	45 233 789	57 134 917	16 447 902	45 233 789	57 134 917
FNB - 6282 9533 000 (Primary Bank Acc)	33 923 907	20 217 910	-	33 955 355	20 217 910	-
<b>Total</b>	<b>50 374 809</b>	<b>65 454 699</b>	<b>63 783 033</b>	<b>50 406 257</b>	<b>65 454 699</b>	<b>63 941 151</b>

### 15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Housing grant	444 068	444 068
EPWP grant	-	-
	<b>444 068</b>	<b>444 068</b>

# Mkhambathini Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>15. Unspent conditional grants and receipts (continued)</b>		
<b>Movement during the year</b>		
<b>Library Grant</b>		
Current year receipts	1 816 000	1 714 000
Conditions met - transfer to revenue	(1 816 000)	(1 714 000)
<b>Conditions still to be met - transfer to liabilities</b>	<b>-</b>	<b>-</b>
The purpose of the grant is to address the Constitutional mandate whereby public libraries are an exclusive provincial competency. The funding assists the municipalities with the provision of library services. The condition of the grant was 100% spent in 2020/21 financial year.		
<b>Municipal Disaster Relief Grant</b>		
Current year receipts	-	745 000
Conditions met - transferred to revenue	-	(745 000)
<b>Conditions still to be met - transfer to liabilities</b>	<b>-</b>	<b>-</b>
The purpose of the grant is to assist the municipality is attending the COVID19 related challenges and to implement measure in preventing the spread of the pandemic. The municipality submitted the activity plan to National Treasury which was approved. The approved activity plan was executed and the grant was 100% as at 30 June 2020.		
<b>Financial management Grant</b>		
Current year receipts	2 800 000	2 435 000
Conditions met - transfer to revenue	(2 800 000)	(2 435 000)
<b>Conditions still to be met - transfer to liabilities</b>	<b>-</b>	<b>-</b>
The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act. The municipality submitted the activity plan to National Treasury which was later approved. The approved activity plan was 100% implemented and the conditions of the grants were met in full.		
<b>Housing Grant</b>		
Opening balance	444 068	444 068
Current year receipts	-	-
<b>Conditions still to be met - transfer to liabilities</b>	<b>444 068</b>	<b>444 068</b>
The Department of Human Settlement allocated a grant to municipality to assist municipalities to implement the provision of housing to the community. The municipality implemented the project prior years and there was an amount which remains unspent and the municipality will write the motivation to the transferring department requesting to utilize the funding.		
<b>Municipal Infrastructure Grant</b>		
Current year receipts	25 800 000	16 076 000
Conditions met - transfer to revenue	(25 800 000)	(16 076 000)
<b>Conditions still to be met - transfer to liabilities</b>	<b>-</b>	<b>-</b>
The purpose of the grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities. The municipality implemented infrastructure projects in line with the conditions of the grant and the condition for this grant were fully met.		
<b>Expanded Public Works Programme Grant</b>		
Current year receipts	1 143 000	1 440 000
Conditions met - transfer to revenue	(1 143 000)	(1 440 000)
<b>Conditions still to be met - transfer to liabilities</b>	<b>-</b>	<b>-</b>

# Mkhambathini Municipality

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Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 15. Unspent conditional grants and receipts (continued)

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines. The grant was 100% implemented and the conditions of the grants were met in full.

#### Sports field Maintenance Grant

Opening balance	-	25 059
Conditions met - transfer to revenue	-	(25 059)

#### Conditions still to be met - transfer to liabilities

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods on the maintenance of sports fields.

#### Electrification

Current year receipts	5 000 000	5 467 000
Conditions of the Grants met	(5 000 000)	(5 467 000)

#### Conditions still to be met - transfer to liabilities

The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure. The municipality met the condition of the grant and the grant was spend to complete Phase 1 of Ophokweni Electrification Project (Ward 2).

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

Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as a current liabilities.

### 16. Provisions

#### Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Provision for leave	2 576 332	328 544	2 904 876

#### Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Provision for leave	2 353 095	223 237	2 576 332

The leave provision represents managements best estimate of the municipality's liability under one period based on prior experience.

### 17. Payables from exchange transactions

Trade payables	2 495 331	1 152 304
Payments received in advanced -debtors	203 661	372 379
Other creditors	183 102	199 307
Retention	2 627 090	2 211 442
	<b>5 509 184</b>	<b>3 935 432</b>

# Mkhambathini Municipality

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## Notes to the Annual Financial Statements

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### 18. VAT payable

Tax refunds payables	-	1 029 409
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### 19. Revenue

Service charges	533 496	528 201
Interest received (trading)	2 596 078	4 304 939
Commissions received	1 781 973	1 315 691
Other income	3 154 368	685 628
Actuarial gains/losses	-	52 048
Property rates	19 217 482	17 369 337
Property rates - penalties imposed	-	940 603
Government grants & subsidies	111 294 000	85 168 060
Fines, Penalties and Forfeits	-	23 190
Licenses and permits	3 567 463	3 508 816
Other transfer revenue	90 416	96 755
	<b>142 235 276</b>	<b>113 993 268</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	533 496	528 201
Interest received (trading)	2 596 078	4 304 939
Commissions received	1 781 973	1 315 691
Actuarial gains/losses	-	52 048
Other income	3 154 368	685 628
	<b>8 065 915</b>	<b>6 886 507</b>

#### The amount included in revenue arising from non-exchange transactions is as follows:

##### Taxation revenue

Property rates	19 217 482	17 369 337
Property rates - penalties imposed	-	940 603

##### Transfer revenue

Government grants & subsidies	111 294 000	85 168 060
Fines, Penalties and Forfeits	-	23 190
Licenses and Permits	3 567 463	3 508 816
uMgungundlovu District Municipality electricity usage refund	90 416	96 755
	<b>134 169 361</b>	<b>107 106 761</b>

### 20. Service charges

Refuse removal	533 496	528 201
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Figures in Rand	2021	2020
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### 21. Other income

Included on the non -exchange transaction is an amount of R 90 416 which arises from the debt raised against uMgungundlovu District Municipality for the repayment of sewerage pump billing from Eskom.

**The amount included in other revenue arising from non - exchange is as follows:**

#### Taxation revenue

uMgungundlovu District Municipality	90 416	96 755
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### 22. Other income

Operating lease income	-	18 047
Library income	205	1 445
Clearance Certificate	13 426	10 416
Tender Fees	272 965	216 957
Building Plan (Plan Fees)	2 391 549	126 101
Insurance claims refund	349 015	248 300
Appeals from SARS	-	690
UMDM and DSD Receipts	16 834	16 907
Planning Application Fee	27 724	6 644
Skills Development Refund	82 650	40 121
	<b>3 154 368</b>	<b>685 628</b>

### 23. Property rates

#### Rates received

Residential	4 377 743	4 194 468
Commercial	2 442 195	2 331 515
State and Education	4 381 193	4 146 591
Agriculture	3 594 053	4 549 666
Other Properties	5 530 085	326 148
Industrial	-	2 910 263
Less: Income forgone	(1 107 787)	(1 089 314)
	19 217 482	17 369 337
Property rates - penalties imposed	-	940 603
	<b>19 217 482</b>	<b>18 309 940</b>

#### Valuations

Residential	471 040 000	470 460 000
Commercial	183 723 000	184 363 000
State and Education	247 470 000	247 580 000
Agriculture	3 169 612 000	3 098 492 000
Public service infrastructure	21 620 000	21 620 000
Other Properties	187 478 000	184 978 000
Industrial	419 095 000	417 495 000
	<b>4 700 038 000</b>	<b>4 624 988 000</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The movement on the valuation roll was due to the new supplementary valuation roll which was implemented on 28 February 2021.

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### 24. Government grants and subsidies

#### Operating grants

Equitable share	79 735 000	62 733 000
Library Grant	1 816 000	1 714 000
Municipal disaster Relief Fund	-	745 000
Financial Management Grant	2 800 000	2 435 000
Sports field Maintenance Grant	-	25 059
EPWP Grant	1 143 000	1 440 000
	<b>85 494 000</b>	<b>69 092 059</b>

#### Capital grants

Municipal Infrastructure Grant	25 800 000	16 076 001
	<b>111 294 000</b>	<b>85 168 060</b>

### 25. Employee related costs

Acting allowances	79 456	232 352
Bargaining Council Contributions	16 674	33 240
Basic	30 552 140	27 242 985
Bonus	2 210 437	1 690 149
Defined contribution plans	4 431 355	3 593 039
Housing benefits and allowances	214 810	168 603
Leave pay provision charge	1 276 556	1 442 689
Long-service awards	172 894	16 682
Medical aid - company contributions	1 881 627	1 569 718
Overtime payments	365 261	175 913
Phone Allowance	160 602	57 200
SDL	240 492	301 811
Stipend - Ward Committee	827 000	814 000
Travel, motor car, accommodation, subsistence and other allowances	640 658	169 944
UIF	226 561	195 324
WCA	388 507	-
	<b>43 685 030</b>	<b>37 703 649</b>

#### Remuneration of Municipal Manager

Annual Remuneration	813 409	353 977
Car Allowance	167 776	77 944
Performance Bonuses	63 452	89 890
Cellphone allowance	20 400	10 200
Housing and Other Allowances	84 000	42 000
Backpay	-	36 320
	<b>1 149 037</b>	<b>610 331</b>

The Municipal Manager was appointed with effect from 16 January 2020 and previous Municipal Manager was paid R 63 452 for the Performance bonus for 2019/2020 financial year.

#### Remuneration of Chief Financial Officer

Annual Remuneration	575 063	311 274
Car Allowance	120 000	84 000
Medical Aid	55 000	-
Leave payout	-	69 804
Housing and other allowances	-	31 671
Cellphone allowance	18 000	7 200

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<b>25. Employee related costs (continued)</b>		
Backpay	-	32 890
Performance Bonus	78 146	-
Pension Allowance	55 000	-
	<b>901 209</b>	<b>536 839</b>

The Chief Financial Officer was appointed on the 01 August 2020 and the performance bonus for the amount of R 78 146 was for the former Chief Financial Officer

### Remuneration of Manager Technical Services

Annual Remuneration	683 063	605 789
Car Allowance	120 000	165 000
Performance Bonuses	70 331	49 818
Other	-	8 872
Backpay	22 699	20 802
Cellphone allowance	30 000	10 200
	<b>926 093</b>	<b>860 481</b>

### Remuneration of Manager of Corporate Services

Annual Remuneration	347 532	827 066
Car Allowance	60 000	36 000
Performance Bonuses	78 146	67 654
Other	-	26 505
Backpay	-	22 898
Cellphone Allowance	9 000	11 400
Acting allowance	-	34 787
Leave Payout	67 110	-
	<b>561 788</b>	<b>1 026 310</b>

The Corporate Services Manager was appointed on the 01 January 2021. The Leave Pay-out for the amount of R 67 110 and Performance Bonus for the amount of R 78 146 was paid to the former Corporate Services Manager

### Remuneration of Manager of Community Services

Annual Remuneration	642 743	628 364
Car Allowance	156 000	147 000
Back Pay	-	17 922
Leave Payout	24 699	-
Other	-	3 217
Cell Phone Allowance	34 320	11 280
Performance Bonus	70 331	38 747
	<b>928 093</b>	<b>846 530</b>

### 26. Remuneration of councillors

Mayor	905 259	860 850
Deputy Mayor	733 088	715 078
Exco Members	404 593	360 193
Speaker	733 088	715 078
Councillors	2 851 470	3 023 339
Section 79 Councillors	394 018	349 017
	<b>6 021 516</b>	<b>6 023 555</b>

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<b>27. Administrative expenditure</b>		
<b>28. Depreciation and amortisation</b>		
Property, plant and equipment	10 075 015	8 867 828
Intangible assets	178 942	221 717
	<b>10 253 957</b>	<b>9 089 545</b>
<b>29. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	502 043	228 980
The main classes of assets affected by the impairment losses was Buildings and Community Assets class. The main reasons for the impairments was due to damages on municipal assets due to public vandalism.		
<b>30. Debt impairment</b>		
Debt impairment	5 166 507	4 890 036
Impairment calculation showed an impairment reversal of R5 330 272 for 2020/21 Financial Year.		
<b>31. General expenses</b>		
Advertising	659 350	680 494
Arts & Culture	715 536	428 538
Bank Charges	206 969	262 563
Business and Advisory Services	7 960 998	7 978 322
Catering services	818 749	1 013 297
Civic and Hospitality	708 908	582 542
Community development and training	12 835	923 797
Consumables	2 054 852	994 640
Disaster Management	748 826	250 331
Face Value- Licence Card Renewals	636 203	618 982
Hygiene Services	281 417	10 756
Indigent Relief	151 681	-
Information Technology Services	809 911	1 892 172
Infrastructure and Planning	10 433 204	6 223 503
Internal Auditors	1 075 961	838 231
Landfill Site Fees	147 035	465 039
Legal Costs	124 726	333 462
Licence Renewal	189 148	49 448
Materials	322 449	412 707
Operating Leases	-	9 552
Other Contractors	3 207 013	2 749 218
Other Expenses	1 062 014	91 813
Postage and courier	17 169	22 503
Printing and stationery	316 161	530 457
Repairs and maintenance - Building and Facilities	3 383 205	6 651 745
Repairs and maintenance - unspecified Assets	23 149 494	4 094 180
SALGA Membership fees	483 250	918 043
Security Charges -Banking	-	229 785
Security Services	-	3 837
Subsistence and Travelling	712 959	473 542
Tracker subscriptions	-	2 272
Training and Development	185 738	118 954
Transportation	2 323 033	1 265 710
Water and Electricity	814 309	875 564

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### 31. General expenses (continued)

<b>63 713 103</b>	<b>41 995 999</b>
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The amount included on the general expenses of R 10 347 204,20 as infrastructure and planning was incurred by the municipality for the implementation of the electrification Projects which was internally funded. An amount of R27 155 928 includes the amount incurred for the implementation of Plant Hire program to all wards.

The amount included on the general expenses of R 715 617.85 as COVID 19 expenditure that was incurred by the municipality during this Financial Year

### 32. Auditors' remuneration

External Audit Fees	1 261 022	1 173 307
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### 33. Leases

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	360 072	313 248
- in second to fifth year inclusive	390 500	-
	<b>750 572</b>	<b>313 248</b>

Operating lease payments represent rentals payable by the municipality for certain of its office photocopying machines. Leases are negotiated between three to five years. Lease rentals escalates between 0% to 10 % per annum over the period of the lease. The municipality is also leasing a piece of land from Mrs Parak for a period of 3 years.

##### Present value of minimum lease payment due

- within one year	196 100	144 072
- Between 2 to 5 years	-	196 100
	<b>196 100</b>	<b>340 172</b>

### 34. Cash generated from operations

Surplus	8 957 409	12 774 912
<b>Adjustments for:</b>		
Depreciation and amortisation	10 253 957	9 089 545
Gain on sale of assets and liabilities	1 688 688	113 285
Impairment deficit	502 043	228 980
Debt impairment	5 166 507	4 890 036
Movements in retirement benefit assets and liabilities	986 000	(52 196)
Movements in provisions	328 544	223 237
Decrease in inventories	172 838	-
Other non-cash items	(29 614)	-
Other Creditors	3 038	-
<b>Changes in working capital:</b>		
Receivables from exchange transactions	-	517 197
Consumer debtors	222 991	(4 175 995)
Payables from exchange transactions	1 573 751	1 263 669
VAT	(5 509 264)	646 171
Unspent conditional grants and receipts	-	(25 060)
	<b>24 316 888</b>	<b>25 493 781</b>

### 35. Capital Commitments

#### Committed in respect of Capital Expenditure

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Figures in Rand	2021	2020
<b>Already contracted for but not provided for</b>		
Community Assets/ Facilities	3 956 677	3 857 856
Road Infrastructure Assets	4 186 285	4 983 568
	<b>8 142 962</b>	<b>8 841 424</b>

### 36. Contingent Liability

The municipality does not have any litigations.

### 37. Related parties

The remuneration for councillors and salaries for key management personnel are disclosed under Note 25 and 26 and they are reported as line items on the face of Statement of Financial Performance.

#### Related party balances

Amount included on general expenses relates to related party for UMDM Shared Services for planning departments and other departments with the uMgungundlovu District Municipality. The other amount included on the General expenses is the amount paid to uMgungundlovu District Municipality for water accounts and amount paid to uMsunduzi Local Municipality for the land fill site expenses.

#### General Expenses

uMgungundlovu District Municipality	197 883	122 869
The Msunduzi Municipality	132 171	37 924
	<b>330 054</b>	<b>160 793</b>

### 38. Prior period errors

The municipality identifies the error that was made in 2019/20 financial year on the calculation for debt impairment

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

#### Statement of financial position

Receivables from non-exchange transactions	-	19 344 466
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	Note	As per previously reported	Correction of error		Restated
Receivable from non-exchange transaction	10	19 344 466	(4 299 581)	-	15 044 895

#### Statement of financial performance

Debt Impairment	-	590 455
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	Note	As perviously reported	Correction of error		Restated
Debt Impairment	-	590 455	4 299 581	-	4 890 036

### 39. 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.

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Figures in Rand	2021	2020
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### 39. Risk management (continued)

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

The amount reflected within the trade and other payables from exchange transactions are R 4 867 950 (2020: R 3 935 432).

#### Credit risk

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

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

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

Financial instrument	2021	2020
Cash and cash equivalents	50 406 257	65 454 699
Consumer debtors	10 325 200	15 714 698

### 40. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R 240 373 097 and that the municipality's total assets exceed its liabilities by R 241 626 497.

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

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

The assumption is that the municipality will be able to continue operating for a period of time that is sufficient to carry out its commitments, obligations, objectives, and so on. The municipality will not have to liquidate or be forced out of business in the foreseeable future. The municipal current cash and cash equivalent amount (R50 406 257) is sufficient for the municipality to pay its current obligations (R8 207 568) and continue operate for at least more than six months without considering any income to be received by the municipality during the six months' period.

### 41. Events after the reporting date

- There are no material event that occurred after the reporting date 30 June 2021.

### 42. Unauthorised expenditure ( Non - cash items)

Opening balance as previously reported	52 048	7 194 687
<b>Opening balance</b>	<b>52 048</b>	<b>7 194 687</b>
Loss on Disposal of Assets and liabilities	1 688 688	-
Actuarial Losses	986 000	52 048
Debt impairment	2 026 507	-
Less: Amount written off - prior period	(52 048)	(7 194 687)
<b>Closing balance</b>	<b>4 701 195</b>	<b>52 048</b>

In 2019/20 the municipality reported R 52 048 and after investigation by council committee, the expenditure was then written off during financial year 2020/21. No unauthorised expenditure incurred in 2020/21 Financial Year.

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Figures in Rand	2021	2020
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### 42. Unauthorised expenditure ( Non - cash items) (continued)

In 2020/21 the municipality have incurred an unauthorised expenditure of R 4 701 195 on non cash items.

#### Analysed as follows: non-cash

Actuarial Losses	986 000	52 048
Loss on disposal of property, plant and equipment	1 688 688	-
Provision of impairment	2 026 507	-
	<b>4 701 195</b>	<b>52 048</b>

The total savings on other non cash items has been used to cover the cost for the unauthorised expenditure incurred for non-cash items.

### 43. Fruitless and wasteful expenditure

Opening balance as previously reported	3 218 823	5 261 999
Add: Fruitless and Wasteful Expenditure - current year	-	22 961
<b>Opening balance as restated</b>	<b>3 218 823</b>	<b>5 284 960</b>
Less: Amount written off - prior period	(9 069)	(2 066 137)
<b>Closing balance</b>	<b>3 209 754</b>	<b>3 218 823</b>

In terms of the exemption notice in Government gazette No 43181 ,no fruitless and wasteful expenditure has been recognised for interest on late payments .The council has write off the amount of R 9 069 and the amount of R 3 209 754 is still under investigation.

### 44. Irregular expenditure

Opening balance as previously reported	6 112 439	13 673 681
Add: Irregular Expenditure - current year	441 012	2 790 061
<b>Opening balance as restated</b>	<b>6 553 451</b>	<b>16 463 742</b>
Add: Irregular Expenditure - prior period	-	75 912
Less: Amount written off - prior period	(2 051 312)	(10 427 215)
<b>Closing balance</b>	<b>4 502 139</b>	<b>6 112 439</b>

The Municipality incurred the amount of R 441 012 Irregular during 2020/21 financial year ,The amount of R 2 051 312 that was incurred in 2019/20 financial year was written off by the council

The amount of R 25 786.67 was paid to supplier ( Isolezwe) during this financial year ,The supplier was in the service of state

The amount of R 33 087.60 was paid to supplier (Avis Rental )during this financial year and the supplier was in the service of state

The amount of R 194 633.18 was paid to supplier (Panayu )during this financial year and the supplier did not fill the declaration forms

The amount of R 187 505 was paid to supplier (Ndimajiya PTY LTD )during this financial year and the supplier did not fill the declaration forms

### 45. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Amount paid - current year	475 000	913 043
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<b>45. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Audit fees</b>		
Amount paid - current year	1 261 022	1 173 307
<b>PAYE and UIF</b>		
Current year subscription / fee	6 712 739	6 414 114
Amount paid - current year	(6 712 739)	(6 414 114)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	9 678 520	7 914 744
Amount paid - current year	(9 678 520)	(7 914 744)
	-	-
<b>VAT Receivable</b>		
VAT receivable	4 479 855	-

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

### 46. Deviation from procurement processes

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements. The transaction amounting to R 2 622 476 was incurred during the financial year and were reported to Council quarterly and all of them were approved by council.

Goods and services procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Windeed	-	1 334
African directory services (PTY)LTD	-	49 611
Gijima Holdings	13 900	-
IzingodlaHealth (PTY)LTD	261 811	-
Driving license card	656 053	446 824
Rennies Travel	-	2 316
Government Printing Works	3 433	-
Managed Intergrated Evaluation	-	6 397
National Security and Fire (PTY)LTD	-	598
Key PMB	49 066	5 636
Barloworld Pietermaritzburg	163 355	5 589
Izwi lakho Funeral Services	-	21 862
Lexis Nexis	-	4 164
CHM Commercial Pietermatzberg	-	8 787
Maritzburg Central Panel Beaters	116 497	-
Lancet Laboratories	107 950	-
Popsprint Stationaery	80 500	56 063
Tracker	-	21 492

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Figures in Rand	2021	2020
<b>46. Segment information (continued)</b>		
One up Electrical	-	18 062
African Directors Service (PTY)LTD	24 806	-
Camperdown Motors	-	59 218
Estone Service Station	-	14 767
Flawless Enterprise	-	139 990
SBS Eletrical	-	38 235
Mchunu Repairs	280 305	100 096
Maqhwememe Security	864 800	126 078
Fastcomm Solution (PTY)LTD	-	167 728
Umilile(PTY)LTD	-	50 600
Media 24 (PTY)LTD	-	48 286
Isolezwe	-	10 487
	<b>2 622 476</b>	<b>1 404 220</b>

In terms of section 36 of the Municipal Supply Chain Management Regulation any deviation from Supply Chain Management Policy needs to approve be approve /condoned by the Municipal Manager and note by Council. These deviations refer to the instances as stipulated in the regulation and relates mainly to emergencies and instances where it was impractical to follow SCM processes:

### National Security and Fire (PTY) LTD

The municipality have a boom gate that is used for the access of cars from the main gate, this boom gate was installed by National Security and Fire (PTY) LTD and it had a faulty in that case the company which installed it was to be called urgently to come and fix the problem and this amounted to R598.00.

- 598

### Managed Integrity Evaluation

The municipality was in a process to appoint the Municipal Manager and the CFO for the financial year 2019/2020. The qualification check is the requirement that before the appointment of the section 57 managers a verification be done to confirm that the candidate does not have any criminal records or misconduct which might result in the municipality engaging on fraudulent activities. It is off this reason that Managed Integrity Evaluation was appointed to perform this activity on behalf of the municipality and this is a sole service provider in the province.

- 6 397

### Barloworld Pietermaritzburg

The Mayor's car was due for service, as this car was manufactured by Barloworld Ford when it is due for service it can only be taken to the same dealership for service and this could not be performed by any other dealership. This resulted in the expenditure of R163 355.00 and the municipality could not get 3 quotations as this is a sole service provider hence the implementation of section 36 of SCM reulation

163 355 5 589

### Key Truck and cars PTY LTD

The municipal car had a problem with the braking system, as this car is Isuzu brand it had to be taken tothe dealer for repairs and maintenance. This amounted to R 5636.00

- 5 636

### Izwi Lakho Funeral Services

One of the municipalities core function is to help it citizens more especially those who can not help themselves, one of the services that the municipality does is to help with the burial services for those bodies whose families could not be found. For the financial year 2019/2020 the municipality incurred an expenditure amounting to R21 862.00 for these activities.

- 21 862

### Lexis Nexis

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<b>46. Segment information (continued)</b>		
The municipality need to have all relevant legislations for it to be able to comply with the legislations, it is of this reason that the municipality bought the road legislations and this could only be bought from Lexis Nexis as a sole service provider.	-	4 164
<b>CHM Commercial Pietermaritzburg</b>		
The municipality bought a waste truck to enable it service delivery for waste collection and from time to time the truck needs to be serviced for it to be functional. It could not be taken to any other dealership other than CHM commercial Pietermaritzburg as a sole service provider. The expenditure amounted to R8 787.00 for the functional year 2019/2020.	-	8 787
<b>Popsprint Stationery</b>		
This is for the supply and delivery of the LL1 forms and DL1 form for the daily operations of the Learners Licensing unit. This is the sole service provider in the province hence the expenditure amounted to R80 500.00 for the financial year 2020/2021.	80 500	56 063
<b>Tracker</b>		
Municipal vehicles need to be protected in the case of theft and internal control for the use of vehicles on a daily operation. The municipality bought new cars which needed to be installed with tracking devices for safety reasons and internal control and existing tracking company was appointed for the extension of scope. This amounted to R21 492.00.	-	21 492
<b>One up Electrical</b>		
Due to the load shedding that is facing the country the municipality decided to install a generator as a back up system in the cases of load shedding so that it daily operations are not affected by such pandemic. This generator was installed by One up electrical and it needed to be serviced and it could only be serviced by the company who installed it. This amounted to R18 062.00 for the financial year.	-	18 062
<b>Mchunu Repairs</b>		
This is a local supplier which helps the municipality with minor repairs for cars. The expenditure for the whole financial year amounted to R280 305 for 2020/2021. In terms of repairs and maintenance SCM processes are impractical to follow.	280 305	100 096
<b>Flawless Enterprise</b>		
South Africa was declared to be under the National Disaster after the COVID19 Pandemic attack, to respond to this pandemic the municipality had to procure PPE's which were used as mitigating factors of the spread of the virus. This resulted in the municipality having to procure urgent PPE's for its staff and the community.	-	139 990
<b>SBS Electrical</b>		
The municipality had an electric problem, the DB was faulty and switched were tripping from time to time. This tripping faulty could damage lot of electric appliances and the municipality had to urgently fix the problem before damaging lot of things and to enable employees to work as most of them rely on using computers. Electric company nearby the municipality (SBS Electrical) was then contacted to come and fix the problem and this amounted to R38 235.00.	-	38 235
<b>Camperdown Motors</b>		
This is a local supplier which helps the municipality with minor repairs for cars. The expenditure for the whole financial year amounted to R59 218 for 2019/2020. In terms of fuel and oil expenditure, the SCM processes are impractical to follow.	-	59 218

# Mkhambathini Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>46. Segment information (continued)</b>		
<b>Estone service station</b> This is for the repairs of the tractors that the municipality must implement service delivery. The total amount for these transactions amounted to R14 767.00 for the 2019/2020 financial year.	-	14 767
<b>Maqhwememe security</b> The municipality had to hire a security company for the safety of the municipal speaker. This was resolved by the council and an urgent appointment of a security company was implemented, this amounted to R864 800.00 for the financial year 2020/2021.	864 800	126 078
<b>Fastcomm Solution (PTY) LTD</b> South Africa was declared to be under the National Disaster after the COVID19 Pandemic attack, to respond to this pandemic the municipality had to procure PPE's which were used as mitigating factors of the spread of the virus. This resulted in the municipality having to procure urgent PPE's for its staff and the community.	-	167 728
<b>Umilile (PTY) LTD</b> South Africa was declared to be under the National Disaster after the COVID19 Pandemic attack, to respond to this pandemic the municipality had to procure PPE's which were used as mitigating factors of the spread of the virus. This resulted in the municipality having to procure urgent PPE's for its staff and the community. In addition to that the issue of COVID19 had to do with hygiene issues, the municipality had within its area an informal settlement which had refuse (litter) all over the place which needed to be buried. The service provider with a TLB was then contacted to come and dig holes where these refuses (litter) could be buried.	-	50 600
<b>Driving licence License Card</b> Only one company who make the draving licenses in South Africa hence no iether way the municipality must engage them for the service .	656 053	469 892
<b>Windeed</b> The municipality utilizes the Windeed resource for the property search to track the transfers of properties to ensure that all transfers are properly changed on Billing system.	-	1 334
<b>African Directory Services (Pty) Ltd</b> Expenditure incurred for the advertising of the municipal activities on the government directory.	24 806	49 611
<b>Media 24</b> The municipality use paragraph 16 which specify that the municipality can go directly to the local newspaper for advertising should they be a need to advertise. The municipality appointed service provider (Human Communications) to administer all the advertising transactions for the municipality and during their contract period the company was liquidated. During the time of liquidation and advertisement for a new service provider the municipality used the clause on the SCM policy to go direct to the local newspaper for the advertising	-	48 286
<b>Isolezwe</b>	-	-

# Mkhambathini Municipality

(Registration number KZN 226)

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>46. Segment information (continued)</b>		
The municipality use paragraph 16 of the SCM policy which specify that the municipality can go directly to the local newspaper for advertising should they be a need to advertise. The municipality appointed service provider (Human Communications) to administer all the advertising transactions for the municipality and during their contract period the company was liquidated. During the time of liquidation and advertisement for a new service provider the municipality used the clause on the SCM policy to go direct to the local newspaper for the advertising	-	10 487
<b>Gijima Holdings</b> Sole service provider-The service was required urgently to finalise the appointment of new incumbent	13 900	-
<b>Government Printing Works</b> Sole service provider-These forms are used by learners license unit for the printing of learners license for the public and can be obtained from Government printing works	3 433	-
<b>Izingodla Health (PTY)LTD</b> This was the case of emergency -The municipality have a first COVID 19 case and all offices had to be disinfacted to deep clean using all the machines	261 811	-
<b>Lancet Laboratories</b> This was the case of emergency -COVID 19 test -the municipality had to test all employees .Only Lancet responded to our request for quotation	107 950	-
<b>Key PMB</b> This is Isuzu PMB and sole supplier for Isuzu vehicles.The municipality vehicles needed to be serviced and we could not have other quotation as the service could be obtained from Isuzu only	49 066	-
<b>Maritzburg Central Panel Beaters</b> This was the repairs expenditure fore Speakers Vihicle ,The insuarance the claim was paid direct to the municipality and the munipality had to pay the Maritzburg Central Panel Beater .The SCM process was not follow since Maritzburg Central Panel Beaters was appionted by the Insurance company .	116 497	-
<b>47. Segment information</b>		
<b>General information</b>		

# Mkhambathini Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

2021

2020

### 47. Segment information (continued)

#### Identification of segments

The municipality renders services in all 7 wards of Mkhambathini Municipality

The municipality is organised and operates in four key functional segments (business units). The management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenue and Expenditure relating to these business units are allocated at transactional level. The below are the key business units

Community and public safety which includes community and social services, sport and recreation, public safety, health and housing

Economic and environmental services which includes planning and development, road, transport and environmental protection services

Trading services which includes energy services, waste management and rates services

Other - which included administration services, council services

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## Notes to the Annual Financial Statements

Figures in Rand

### 47. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

2021

	Community and public safety	Economic and environmental services	Trading Services	Other	Total
<b>Revenue</b>					
Revenue from non-exchange transactions	552 285	2 692 238	3 048 936	5 430 335	11 723 794
Revenue from exchange transactions	22 095 400	49 720 500	33 977 732	24 717 850	130 511 482
<b>Total segment revenue</b>	<b>22 647 685</b>	<b>52 412 738</b>	<b>37 026 668</b>	<b>30 148 185</b>	<b>142 235 276</b>
<b>Entity's revenue</b>					<b>142 235 276</b>
<b>Expenditure</b>					
Salaries and wages	18 058 048	6 348 099	6 143 076	19 157 324	49 706 547
Other expenses	4 835 670	40 089 100	25 364 212	13 282 337	83 571 319
<b>Total segment expenditure</b>	<b>22 893 718</b>	<b>46 437 199</b>	<b>31 507 288</b>	<b>32 439 661</b>	<b>133 277 866</b>
<b>Total segmental surplus/(deficit)</b>					<b>8 957 410</b>
<b>Assets</b>					
Current Assets	629 538	-	65 583 876	136 633	66 350 047
Non Current Assets	404 616	182 297 835	733 253	5 842 873	189 278 577
<b>Total segment assets</b>	<b>1 034 154</b>	<b>182 297 835</b>	<b>66 317 129</b>	<b>5 979 506</b>	<b>255 628 624</b>
<b>Total assets as per Statement of financial Position</b>					<b>255 628 624</b>
<b>Liabilities</b>					
Current liabilities	444 067	2 627 090	2 882 095	2 904 876	8 858 128
Non Current Liabilities	-	-	-	5 144 000	5 144 000
<b>Total segment liabilities</b>	<b>444 067</b>	<b>2 627 090</b>	<b>2 882 095</b>	<b>8 048 876</b>	<b>14 002 128</b>

## Mkhambathini Municipality

(Registration number KZN 226)

Annual Financial Statements for the year ended 30 June 2021

### Notes to the Annual Financial Statements

Figures in Rand

	Community and public sfety	Economic and eviromental services	Trading Services	Other	Total
<b>47. Segment information (continued)</b>					
<b>Total liabilities as per Statement of financial Position</b>					<b>14 002 128</b>



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

	2020/2021							2019/20							
	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 of Actual Outcome against Adjustments Budget Rand	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
Revenue By Source															
Property rates	19 782 000	-	19 782 000	-		19 782 000	19 217 482		(564 518)	97 %	97 %				17 369 337
Service charges - electricity revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - water revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - sanitation revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - refuse revenue	574 000	-	574 000	-		574 000	533 496		(40 504)	93 %	93 %				528 201
Commission received	1 883 000	-	1 883 000	-		1 883 000	1 781 973		(101 027)	95 %	95 %				1 315 691
Rental of facilities and equipment	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Interest earned - external investments	3 850 000	-	3 850 000	-		3 850 000	2 596 078		(1 253 922)	67 %	67 %				4 285 972
Interest earned - outstanding debtors	-	-	-	-		-	(19 738)		(19 738)	DIV/0 %	DIV/0 %				940 603
Debt impairment Reversal	-	-	-	-		-	5 330 272		5 330 272	DIV/0 %	DIV/0 %				-
Fines, penalties and forfeits	34 000	-	34 000	-		34 000	-		(34 000)	- %	- %				23 190
Licences and permits	7 121 000	1 000	7 122 000	-		7 122 000	3 154 368		(3 967 632)	44 %	44 %				3 508 816
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers and subsidies	73 463 000	12 405 000	85 868 000	-		85 868 000	111 294 000		25 426 000	130 %	151 %				85 168 060
Other revenue	1 519 000	-	1 519 000	-		1 519 000	3 657 879		2 138 879	241 %	241 %				801 350
Gains on disposal of PPE	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	108 226 000	12 406 000	120 632 000	-		120 632 000	147 545 810		26 913 810	122 %	136 %				113 941 220

# Appendix G3

## Budgeted Financial Performance (revenue and expenditure)

### for the year ended 30 June 2021

2020/2021										2019/20				
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 of Actual Outcome against Adjustments Budget Rand	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
Employee related costs	44 692 000	-	44 692 000	-	44 692 000	43 685 030	-	(1 006 970)	98 %	98 %	-	-	-	37 651 600
Remuneration of councillors	6 374 000	-	6 374 000	-	6 374 000	6 021 517	-	(352 483)	94 %	94 %	-	-	-	6 023 555
Asset impairment	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Depreciation & asset impairment	11 173 000	-	11 173 000	-	11 173 000	10 219 468	-	(953 532)	91 %	91 %	-	-	-	9 318 525
Bank charges	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Repairs and Maintenance	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Debt impairment	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	590 455
Impairment Loss/Reversal of Impairment	2 754 504	-	2 754 504	-	2 754 504	502 043	-	(2 252 461)	18 %	18 %	-	-	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other expenditure	56 158 000	21 003 000	77 161 000	-	77 161 000	66 042 070	-	(11 118 930)	86 %	118 %	-	-	-	36 758 505
Loss on disposal of PPE	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Total Expenditure</b>	<b>121 151 504</b>	<b>21 003 000</b>	<b>142 154 504</b>	<b>-</b>	<b>142 154 504</b>	<b>126 470 128</b>	<b>-</b>	<b>(15 684 376)</b>	<b>89 %</b>	<b>104 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90 342 640</b>
<b>Surplus/(Deficit)</b>	<b>(12 925 504)</b>	<b>(8 597 000)</b>	<b>(21 522 504)</b>	<b>-</b>	<b>(21 522 504)</b>	<b>21 075 682</b>	<b>-</b>	<b>42 598 186</b>	<b>(98)%</b>	<b>(163)%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23 598 580</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	15 996 000	9 804 000	25 800 000	-	25 800 000	25 800 000	-	-	100 %	161 %	-	-	-	16 676 000
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>3 070 496</b>	<b>1 207 000</b>	<b>4 277 496</b>	<b>-</b>	<b>4 277 496</b>	<b>46 875 682</b>	<b>-</b>	<b>42 598 186</b>	<b>1 096 %</b>	<b>1 527 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40 274 580</b>
Taxation	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>	<b>3 070 496</b>	<b>1 207 000</b>	<b>4 277 496</b>	<b>-</b>	<b>4 277 496</b>	<b>46 875 682</b>	<b>-</b>	<b>42 598 186</b>	<b>1 096 %</b>	<b>1 527 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40 274 580</b>
Attributable to minorities	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>3 070 496</b>	<b>1 207 000</b>	<b>4 277 496</b>	<b>-</b>	<b>4 277 496</b>	<b>46 875 682</b>	<b>-</b>	<b>42 598 186</b>	<b>1 096 %</b>	<b>1 527 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40 274 580</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>3 070 496</b>	<b>1 207 000</b>	<b>4 277 496</b>	<b>-</b>	<b>4 277 496</b>	<b>46 875 682</b>	<b>-</b>	<b>42 598 186</b>	<b>1 096 %</b>	<b>1 527 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40 274 580</b>