



Mbizana Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2020

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## General Information

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### **Nature of business and principal activities**

Mbizana Local Municipality provides the following services:  
Electricity  
Solid Waste

### **Mayoral committee**

Mayor

T.D Mafumbatha

Speaker

S. Magini

### **Chief Whip**

M.C Mpetshwa

### **Executive committee**

L. Makholosa

Z Mhlwazi

N. Dlamini

R.T Nkomo-Khwela

M.S. Maphetshana

N.N. Mhlembana

L.T Somadlangathi

I.M Sabuka

A.M Spelman

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## General Information

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### Councillors

E. Voko  
N.E. Cengimbo  
F.N. Sobazile  
N. Sikiti  
N. Mgolozana  
N. Sikibi  
N. Giyama-Bongwana  
N. Mavundla  
R.N. Madikizela  
P.N Mfingwana  
F. Mbuyelwa-Bewu  
J.M. Valiko  
V. Mbhekwa  
B. Luwele  
N.C. Cengimbo  
M. Mbele  
L.B. Mbuzi  
C.N. Matyeni  
Z. Mashiya  
M.S. Msindo  
S.M. Faku  
Y.N. Mfana  
V. Sotubhu  
L.G Mcambalala  
M.Mapholoba  
M. Mpofana  
M. Qumba  
M.J. Dekede  
M.M. Manyathela  
N. Bengu  
S.A. Maphasa  
N. Dayimani  
M. Ndovela  
M. Tobo  
A.I Guqaza  
M.R. Dlamini  
B.A. Jalubane  
N. Madikizela  
T. Faku  
S. Ngoninni  
M.J. Ndesi  
C.N Mfingwana  
S. P. Sobhoyi  
N. Langasiki  
N. Madikizela  
N. Sipatala  
N.O. Yalo  
N. Cwele  
L. Silangwe

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## General Information

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<b>Grading of local authority</b>	Grade 04
<b>Accounting Officer</b>	L. Mahlaka
<b>Chief Finance Officer (CFO)</b>	ZA Zukulu
<b>Registered office</b>	51 Winnie Madikizela-Mandela Street Bizana 4800
<b>Business address</b>	51 Winnie Madikizela-Mandela Street Bizana 4800
<b>Postal address</b>	P.O. Box 12 Bizana 4800
<b>Bankers</b>	First National Bank
<b>Attorneys</b>	NZ Mtshabe Incorporated Attorneys Dr Sugudhav-Sewpersadh Attorneys Vuyani Gwebindlala & Associates Magigaba Incorporated Konyana Attorneys Incorporated Jolwana Mgidlana Incorporated
<b>Auditors</b>	Auditor General of South Africa Registered Auditors

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

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
mSCOA	Municipal Standard Chart of Accounts
DSRAC	Department of Sport, Recreation, Arts and Culture

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## 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.

I am responsible for the preparation of these annual financial statements, which are set out on the pages to follow in terms of s126(1) of the MFMA and which I have signed on behalf of the municipality.

I certify that the salaries, benefits and allowances as disclosed in notes 34 and 35 of these financial statements are within the upper limits of the framework envisioned in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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.

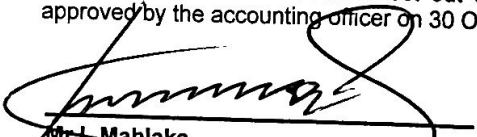
I acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable myself to meet these responsibilities. I set standards for internal control aimed at reducing 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.

I am 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.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 7 to 101, which have been prepared on the going concern basis, were approved by the accounting officer on 30 October 2020 and were signed on its behalf by:

  
Mr L. Mahlaka  
Municipal Manager

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	9	2 042 491	1 271 227
Operating lease asset	7	4 437 945	1 636 755
Other receivables from exchange transactions	10	5 980 728	1 831 425
Receivables from non-exchange transactions	11	873 088	1 823 097
Statutory receivables	12	34 653 121	23 419 433
VAT receivable	13	27 015 164	22 044 520
Prepayments	8	13 493 203	18 449 866
Receivables from exchange transactions	14	16 875 084	10 664 274
Cash and cash equivalents	15	173 644 306	123 462 642
		<b>279 015 130</b>	<b>204 603 239</b>
<b>Non-Current Assets</b>			
Investment property	3	34 200 900	25 097 000
Property, plant and equipment	4	645 633 292	648 433 026
Intangible assets	6	198 490	329 028
Heritage assets	5	1 230 799	1 230 799
		<b>681 263 481</b>	<b>675 089 853</b>
<b>Total Assets</b>		<b>960 278 611</b>	<b>879 693 092</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	18	29 688 801	25 679 280
Consumer deposits	19	502 891	529 234
Unspent conditional grants and receipts	16	8 116 214	6 686 613
Provisions	17	19 953 467	18 471 228
		<b>58 261 373</b>	<b>51 366 355</b>
<b>Non-Current Liabilities</b>			
Provisions	17	5 495 061	3 919 566
<b>Total Liabilities</b>		<b>63 756 434</b>	<b>55 285 921</b>
<b>Net Assets</b>		<b>896 522 177</b>	<b>824 407 171</b>
Accumulated surplus		896 522 177	824 407 171
<b>Total Net Assets</b>		<b>896 522 177</b>	<b>824 407 171</b>

\* See Note 47



# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	23	38 374 181	35 684 754
Rental of facilities and equipment	27	5 096 656	2 223 563
Agency services	28	1 020 949	1 270 965
Commissions received	26	130 093	114 067
Recoveries	26	8 152	284 365
Other income	26&57	599 258	963 291
Interest received	25	14 572 347	12 819 533
Fair value adjustments	56	9 103 900	19 023 579
<b>Total revenue from exchange transactions</b>		<b>68 905 536</b>	<b>72 384 117</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	22	21 251 036	18 966 665
Licences and Permits (Non-exchange)	29	2 236 951	2 256 590
<b>Transfer revenue</b>			
Government grants & subsidies	24	347 946 580	321 149 385
Fines, Penalties and Forfeits	30	2 065 515	1 037 884
<b>Total revenue from non-exchange transactions</b>		<b>373 500 082</b>	<b>343 410 524</b>
<b>Total revenue</b>	21	<b>442 405 618</b>	<b>415 794 641</b>
<b>Expenditure</b>			
Employee related costs	34	(110 343 924)	(107 255 019)
Remuneration of councillors	35	(23 970 005)	(23 223 492)
Depreciation and amortisation	37	(39 437 152)	(39 505 641)
Impairments	58	-	(2 384 829)
Finance costs	38	(11 283)	(65 518)
Lease rentals on operating lease	31	(5 464 801)	(3 381 422)
Debt Impairment	36	(8 569 814)	(4 266 040)
Bulk purchases	41	(33 254 837)	(30 025 433)
Contracted services	59	(42 584 032)	(49 148 530)
Transfers and Subsidies	40	(1 418 323)	(702 066)
Loss on disposal of assets and liabilities	33	(55 215 766)	(7 462 689)
General Expenses	32	(50 020 684)	(54 672 209)
<b>Total expenditure</b>		<b>(370 290 621)</b>	<b>(322 092 888)</b>
<b>Surplus for the year</b>		<b>72 114 997</b>	<b>93 701 753</b>

\* See Note 47

# Mbizana Local Municipality

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## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	730 668 608	730 668 608
Adjustments		
Prior year adjustments	36 810	36 810
<b>Balance at 01 July 2018 as restated*</b>	<b>730 705 418</b>	<b>730 705 418</b>
Surplus/(Deficit) for the year	93 701 753	93 701 753
Total changes	93 701 753	93 701 753
Opening balance as previously reported	824 525 335	824 525 335
Prior year adjustments	(118 155)	(118 155)
<b>Balance at 01 July 2019 as restated*</b>	<b>824 407 180</b>	<b>824 407 180</b>
Surplus/(Deficit) for the year	72 114 997	72 114 997
Total changes	72 114 997	72 114 997
<b>Balance at 30 June 2020</b>	<b>896 522 177</b>	<b>896 522 177</b>
Note(s)		

\* See Note 47

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		42 357 793	66 662 493
Grants		349 376 181	327 667 765
Interest income		14 572 347	12 819 533
		<u>406 306 321</u>	<u>407 149 791</u>
<b>Payments</b>			
Employee costs		(134 313 929)	(130 478 511)
Suppliers		(135 803 219)	(155 104 364)
Finance costs		(11 283)	(65 518)
		<u>(270 128 431)</u>	<u>(285 648 393)</u>
<b>Net cash flows from operating activities</b>	42	<b><u>136 177 890</u></b>	<b><u>121 501 398</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(86 191 827)	(92 662 858)
Proceeds from sale of property, plant and equipment	4	195 601	96 161
		<u>(85 996 226)</u>	<u>(92 566 697)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>50 181 664</b>	<b>28 934 701</b>
Cash and cash equivalents at the beginning of the year		123 462 642	94 527 941
<b>Cash and cash equivalents at the end of the year</b>	15	<b><u>173 644 306</u></b>	<b><u>123 462 642</u></b>

\* See Note 47

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	42 066 687	(2 882 465)	<b>39 184 222</b>	38 374 181	<b>(810 041)</b>	
Rental of facilities and equipment	950 384	1 307 690	<b>2 258 074</b>	5 096 656	<b>2 838 582</b>	62
Agency services	1 295 000	-	<b>1 295 000</b>	1 020 949	<b>(274 051)</b>	62
Commissions received	125 095	-	<b>125 095</b>	130 093	<b>4 998</b>	
Recoveries	-	-	-	8 152	<b>8 152</b>	62
Other income - (rollup)	1 533 779	(147 195)	<b>1 386 584</b>	599 258	<b>(787 326)</b>	62
Interest received	13 831 254	300 000	<b>14 131 254</b>	14 572 347	<b>441 093</b>	
<b>Total revenue from exchange transactions</b>	<b>59 802 199</b>	<b>(1 421 970)</b>	<b>58 380 229</b>	<b>59 801 636</b>	<b>1 421 407</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	24 796 262	(234 779)	<b>24 561 483</b>	21 251 036	<b>(3 310 447)</b>	62
Licences and Permits (Non-exchange)	2 413 135	224 050	<b>2 637 185</b>	2 236 951	<b>(400 234)</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	268 837 000	715 000	<b>269 552 000</b>	269 065 188	<b>(486 812)</b>	
Fines, Penalties and Forfeits	2 136 422	(1 200 000)	<b>936 422</b>	2 065 515	<b>1 129 093</b>	62
<b>Total revenue from non-exchange transactions</b>	<b>298 182 819</b>	<b>(495 729)</b>	<b>297 687 090</b>	<b>294 618 690</b>	<b>(3 068 400)</b>	
<b>Total revenue</b>	<b>357 985 018</b>	<b>(1 917 699)</b>	<b>356 067 319</b>	<b>354 420 326</b>	<b>(1 646 993)</b>	
<b>Expenditure</b>						
Personnel	(108 674 079)	299 426	<b>(108 374 653)</b>	(110 343 924)	<b>(1 969 271)</b>	62
Remuneration of councillors	(25 263 190)	1 000 000	<b>(24 263 190)</b>	(23 970 005)	<b>293 185</b>	
Depreciation and amortisation	(50 871 546)	-	<b>(50 871 546)</b>	(39 437 152)	<b>11 434 394</b>	62
Finance costs	(400 000)	-	<b>(400 000)</b>	(11 283)	<b>388 717</b>	
Lease rentals on operating lease	(2 995 096)	(2 890 644)	<b>(5 885 740)</b>	(5 464 801)	<b>420 939</b>	
Debt Impairment	(2 631 016)	-	<b>(2 631 016)</b>	(8 569 814)	<b>(5 938 798)</b>	62
Bulk purchases	(35 274 121)	2 000 000	<b>(33 274 121)</b>	(33 254 837)	<b>19 284</b>	
Contracted Services	(89 848 060)	12 189 426	<b>(77 658 634)</b>	(42 584 032)	<b>35 074 602</b>	62
Transfers and Subsidies	(1 129 591)	(2 571 000)	<b>(3 700 591)</b>	(1 418 323)	<b>2 282 268</b>	62
Loss on disposal of assets	(40 546 099)	(35 000 000)	<b>(75 546 099)</b>	(55 215 767)	<b>20 330 332</b>	33
General Expenses	(77 927 848)	4 501 955	<b>(73 425 893)</b>	(50 020 684)	<b>23 405 209</b>	32
<b>Total expenditure</b>	<b>(435 560 646)</b>	<b>(20 470 837)</b>	<b>(456 031 483)</b>	<b>(370 290 622)</b>	<b>85 740 861</b>	
<b>Operating deficit</b>	<b>(77 575 628)</b>	<b>(22 388 536)</b>	<b>(99 964 164)</b>	<b>(15 870 296)</b>	<b>84 093 868</b>	
Transfers recognised-capital contributions	79 602 000	6 126 580	<b>85 728 580</b>	78 881 393	<b>(6 847 187)</b>	
Fair value adjustments	-	-	-	9 103 900	<b>9 103 900</b>	
	<b>79 602 000</b>	<b>6 126 580</b>	<b>85 728 580</b>	<b>87 985 293</b>	<b>2 256 713</b>	
<b>Surplus before taxation</b>	<b>2 026 372</b>	<b>(16 261 956)</b>	<b>(14 235 584)</b>	<b>72 114 997</b>	<b>86 350 581</b>	

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## 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						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>2 026 372</b>	<b>(16 261 956)</b>	<b>(14 235 584)</b>	<b>72 114 997</b>	<b>86 350 581</b>	

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## 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						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	320 000	951 227	<b>1 271 227</b>	2 042 491	<b>771 264</b>	62
Operating lease asset	2 400 000	(2 400 000)	-	4 437 945	<b>4 437 945</b>	62
Other receivables from exchange transactions	-	-	-	5 980 728	<b>5 980 728</b>	62
Receivables from non-exchange transactions	32 795 111	(5 875 555)	<b>26 919 556</b>	873 088	<b>(26 046 468)</b>	62
Statutory receivables	-	-	-	34 653 121	<b>34 653 121</b>	
VAT receivable	-	-	-	27 015 164	<b>27 015 164</b>	62
Prepayments	-	-	-	13 493 203	<b>13 493 203</b>	62
Receivables from exchange transactions	30 659 152	24 733 969	<b>55 393 121</b>	16 875 084	<b>(38 518 037)</b>	62
Cash and cash equivalents	81 630 718	45 084 481	<b>126 715 199</b>	173 644 306	<b>46 929 107</b>	62
	<b>147 804 981</b>	<b>62 494 122</b>	<b>210 299 103</b>	<b>279 015 130</b>	<b>68 716 027</b>	
<b>Non-Current Assets</b>						
Investment property	6 744 870	18 352 130	<b>25 097 000</b>	34 200 900	<b>9 103 900</b>	62
Property, plant and equipment	804 424 494	(171 008 777)	<b>633 415 717</b>	645 633 292	<b>12 217 575</b>	62
Intangible assets	580 675	(580 675)	-	198 490	<b>198 490</b>	62
Heritage assets	-	1 230 799	<b>1 230 799</b>	1 230 799	-	62
	<b>811 750 039</b>	<b>(152 006 523)</b>	<b>659 743 516</b>	<b>681 263 481</b>	<b>21 519 965</b>	
<b>Total Assets</b>	<b>959 555 020</b>	<b>(89 512 401)</b>	<b>870 042 619</b>	<b>960 278 611</b>	<b>90 235 992</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	34 452 653	(2 003 331)	<b>32 449 322</b>	29 688 801	<b>(2 760 521)</b>	62
Consumer deposits	457 169	72 064	<b>529 233</b>	502 891	<b>(26 342)</b>	62
Unspent conditional grants and receipts	-	-	-	8 116 214	<b>8 116 214</b>	62
Provisions	9 405 328	9 065 900	<b>18 471 228</b>	19 953 467	<b>1 482 239</b>	62
	<b>44 315 150</b>	<b>7 134 633</b>	<b>51 449 783</b>	<b>58 261 373</b>	<b>6 811 590</b>	
<b>Non-Current Liabilities</b>						
Provisions	4 750 785	(831 219)	<b>3 919 566</b>	5 495 061	<b>1 575 495</b>	62
<b>Total Liabilities</b>	<b>49 065 935</b>	<b>6 303 414</b>	<b>55 369 349</b>	<b>63 756 434</b>	<b>8 387 085</b>	
<b>Net Assets</b>	<b>910 489 085</b>	<b>(95 815 815)</b>	<b>814 673 270</b>	<b>896 522 177</b>	<b>81 848 907</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	910 489 085	(95 815 815)	<b>814 673 270</b>	896 522 177	<b>81 848 907</b>	

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## 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						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Ratepayers and other	69 117 700	2 930 908	<b>72 048 608</b>	42 357 793	<b>(29 690 815)</b>	
Government - operating	268 837 000	1 078 226	<b>269 915 226</b>	270 716 181	<b>800 955</b>	
Interest income	13 831 254	(27 769)	<b>13 803 485</b>	14 572 347	<b>768 862</b>	
Government - capital	79 602 000	6 126 580	<b>85 728 580</b>	78 660 000	<b>(7 068 580)</b>	
	<b>431 387 954</b>	<b>10 107 945</b>	<b>441 495 899</b>	<b>406 306 321</b>	<b>(35 189 578)</b>	
<b>Payments</b>						
Employee costs	(133 937 272)	1 299 429	<b>(132 637 843)</b>	(134 313 929)	<b>(1 676 086)</b>	
Suppliers	(206 045 120)	15 800 731	<b>(190 244 389)</b>	(135 803 219)	<b>54 441 170</b>	-
Finance costs	(400 000)	-	<b>(400 000)</b>	(11 283)	<b>388 717</b>	
Transfers and grants	(1 129 591)	1 129 591	-	-	-	
	<b>(341 511 983)</b>	<b>18 229 751</b>	<b>(323 282 232)</b>	<b>(270 128 431)</b>	<b>53 153 801</b>	
<b>Net cash flows from operating activities</b>	<b>89 875 971</b>	<b>28 337 696</b>	<b>118 213 667</b>	<b>136 177 890</b>	<b>17 964 223</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(77 459 861)	(33 611 446)	<b>(111 071 307)</b>	(86 191 827)	<b>24 879 480</b>	
Proceeds from sale of property, plant and equipment	-	-	-	195 601	<b>195 601</b>	
<b>Net cash flows from investing activities</b>	<b>(77 459 861)</b>	<b>(33 611 446)</b>	<b>(111 071 307)</b>	<b>(85 996 226)</b>	<b>25 075 081</b>	
<b>Cash flows from financing activities</b>						
increase in consumer deposit	-	72 064	<b>72 064</b>	-	<b>(72 064)</b>	
Net increase/(decrease) in cash and cash equivalents	12 416 110	(5 201 686)	<b>7 214 424</b>	50 181 664	<b>42 967 240</b>	
Cash and cash equivalents at the beginning of the year	69 214 608	50 286 167	<b>119 500 775</b>	123 462 642	<b>3 961 867</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>81 630 718</b>	<b>45 084 481</b>	<b>126 715 199</b>	<b>173 644 306</b>	<b>46 929 107</b>	

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2020</b>											
<b>Financial Performance</b>											
Property rates	24 796 262	(234 779)	24 561 483	-	-	24 561 483	21 251 036	-	(3 310 447)	87 %	86 %
Service charges	42 066 687	(2 882 465)	39 184 222	-	-	39 184 222	38 374 181	-	(810 041)	98 %	91 %
Investment revenue	13 831 254	300 000	14 131 254	-	-	14 131 254	14 572 347	-	441 093	103 %	105 %
Transfers recognised - operational	268 837 000	715 000	269 552 000	-	-	269 552 000	269 065 188	-	(486 812)	100 %	100 %
Other own revenue	8 453 815	184 545	8 638 360	-	-	8 638 360	20 261 473	-	11 623 113	235 %	240 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>357 985 018</b>	<b>(1 917 699)</b>	<b>356 067 319</b>	<b>-</b>	<b>-</b>	<b>356 067 319</b>	<b>363 524 225</b>	<b>-</b>	<b>7 456 906</b>	<b>102 %</b>	<b>102 %</b>
Employee costs	(108 674 079)	299 426	(108 374 653)	-	-	(108 374 653)	(110 343 924)	-	(1 969 271)	102 %	102 %
Remuneration of councillors	(25 263 190)	1 000 000	(24 263 190)	-	-	(24 263 190)	(23 970 005)	-	293 185	99 %	95 %
Debt impairment	(2 631 016)	-	(2 631 016)	-	-	(2 631 016)	(8 569 814)	-	(5 938 798)	326 %	326 %
Depreciation and asset impairment	(50 871 546)	-	(50 871 546)	-	-	(50 871 546)	(39 437 152)	-	11 434 394	78 %	78 %
Finance charges	(400 000)	-	(400 000)	-	-	(400 000)	(11 283)	-	388 717	3 %	3 %
Materials and bulk purchases	(35 274 121)	2 000 000	(33 274 121)	-	-	(33 274 121)	(33 254 837)	-	19 284	100 %	94 %
Transfers and grants	(1 129 591)	(2 571 000)	(3 700 591)	-	-	(3 700 591)	(1 418 323)	-	2 282 268	38 %	126 %
Other expenditure	(211 317 103)	(21 199 263)	(232 516 366)	-	-	(232 516 366)	(153 285 283)	-	79 231 083	66 %	73 %
<b>Total expenditure</b>	<b>(435 560 646)</b>	<b>(20 470 837)</b>	<b>(456 031 483)</b>	<b>-</b>	<b>-</b>	<b>(456 031 483)</b>	<b>(370 290 621)</b>	<b>-</b>	<b>85 740 862</b>	<b>81 %</b>	<b>85 %</b>
<b>Surplus/(Deficit)</b>	<b>(77 575 628)</b>	<b>(22 388 536)</b>	<b>(99 964 164)</b>	<b>-</b>	<b>-</b>	<b>(99 964 164)</b>	<b>(6 766 396)</b>	<b>-</b>	<b>93 197 768</b>	<b>7 %</b>	<b>9 %</b>



# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	79 602 000	6 126 580	85 728 580	-		85 728 580	78 881 393		(6 847 187)	92 %	99 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>2 026 372</b>	<b>(16 261 956)</b>	<b>(14 235 584)</b>	-		<b>(14 235 584)</b>	<b>72 114 997</b>		<b>86 350 581</b>	<b>(507)%</b>	<b>3 559 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>2 026 372</b>	<b>(16 261 956)</b>	<b>(14 235 584)</b>	-		<b>(14 235 584)</b>	<b>72 114 997</b>		<b>86 350 581</b>	<b>(507)%</b>	<b>3 559 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	77 459 861	33 611 446	111 071 307	-		111 071 307	87 590 325		(23 480 982)	79 %	113 %
<b>Cash flows</b>											
Net cash from (used) operating	89 875 971	28 337 696	118 213 667	-		118 213 667	136 177 890		17 964 223	115 %	152 %
Net cash from (used) investing	(77 459 861)	(33 611 446)	(111 071 307)	-		(111 071 307)	(85 996 226)		25 075 081	77 %	111 %
Net cash from (used) financing	-	72 064	72 064	-		72 064	-		(72 064)	- %	DIV/0 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>12 416 110</b>	<b>(5 201 686)</b>	<b>7 214 424</b>	-		<b>7 214 424</b>	<b>50 181 664</b>		<b>42 967 240</b>	<b>696 %</b>	<b>404 %</b>
Cash and cash equivalents at the beginning of the year	69 214 609	50 286 166	119 500 775	-		119 500 775	123 462 642		3 961 867	103 %	178 %
<b>Cash and cash equivalents at year end</b>	<b>81 630 719</b>	<b>45 084 480</b>	<b>126 715 199</b>	-		<b>126 715 199</b>	<b>173 644 306</b>		<b>(46 929 107)</b>	<b>137 %</b>	<b>213 %</b>

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## 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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

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

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

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

##### Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

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

##### Impairment testing

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

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

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the value of estimated future cash flows discounted at the rate, determined by the Council policy.

#### Provision for Rehabilitation of landfill site

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, site water balance, the rehabilitation cost, the monitoring and the rehabilitation period.

#### Provisions, contingent liabilities and contingent assets

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities and contingent assets as set out in note 15 of the financial statements. Provisions are discounted where the effect is material.

#### Depreciation and Amortization

Depreciation and amortization recognised on property plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the municipality's expectations about the availability of finance to replace the asset at the end of its useful life.

### 1.4 Investment property

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

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

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

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

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

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

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

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.4 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 municipality 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 municipality 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 municipality 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 municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality 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.

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

### 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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

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

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

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

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

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

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

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

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

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Item	Depreciation method	Average useful life
Land	Straight line	Undefined
Buildings	Straight line	5 - 100 years
Furniture and fixtures	Straight line	2 - 26 years
Motor vehicles	Straight line	3 - 14 years
Office equipment	Straight line	3 - 26 years
IT equipment	Straight line	3 - 17 years
Infrastructure	Straight line	
• Roads, bridges and pavements		5 - 100 years
• Electricity, reticulation and supply		9 - 60 years
• Waste disposal facilities		7 - 30 years
• Storm water		40 - 100 years
• Traffic lights		10 years
• Landfill sites		15 - 30 years
• Metering Infrastructure credit		25 years
Community	Straight line	
• Cemeteries		10 - 30 years
• Community halls		25 - 50 years
• Housing scheme houses		15 years
• Recreational facilities		10 - 50 years
Plant and Machinery	Straight line	2 - 15 years
Other property, plant and equipment	Straight line	5 - 21 years
Park Facilities	Straight line	10 - 50 years

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

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

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

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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

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 ).

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

### 1.6 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.

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

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

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

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

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.6 Intangible assets (continued)

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

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

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

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

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

---

<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Computer software, other	Straight line	3 - 5 years

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The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.7 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

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

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

A financial asset is:

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

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

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

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

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



# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.7 Financial instruments (continued)

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

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

### Classification

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

#### Class

Call accounts  
Trade and other receivables  
Cash and Cash equivalents

#### Category

Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at amortised cost

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.7 Financial instruments (continued)

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

<b>Class</b>	<b>Category</b>
Trade and other payables	Financial liability measured at amortised cost

#### Initial recognition

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

The municipality recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

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

The municipality measures a financial asset and financial liability initially at its fair value.

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

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

#### Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.7 Financial instruments (continued)

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

#### Impairment and uncollectibility of financial assets

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

#### Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

#### Derecognition

##### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

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

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.7 Financial instruments (continued)

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

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

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

#### Financial liabilities

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

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

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

#### Presentation

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

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

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

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

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

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.8 Leases

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

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

#### 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.

### 1.9 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 weighted average cost 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.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

### Identification

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

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

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.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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

#### 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.

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Discount rate

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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

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.

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

#### 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.



# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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

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.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.11 Employee benefits

Employee benefits are all forms of consideration given by the municipality 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 municipality, 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 municipality's own creditors (even in liquidation) and cannot be paid to the municipality, 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 municipality to reimburse it for employee benefits already paid.

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

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

### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality 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 benefits in the cost of an asset.

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

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

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Leave pay

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

The liability is based on the total amount of leave days due to employees at reporting date and on basic salary of the employees.

#### Long service awards

The municipality provides long service awards to eligible employees, payable on completion of a certain number of years of employment. A provision is raised to account for the expected long service awards due to be paid in the preceding year.

#### Annual Bonuses

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

The municipality pays out an annual bonus to its employees during the month of their birthday or annually from date of employment. A liability relating to the anticipated bonuses payable is raised and is based on the monthly basic salary of the individual.

### 1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

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

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

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

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

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

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

### Provision for rehabilitation of Landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill site used for waste disposal. It is calculated as the present value of the future obligation, discounted over an average period as determined by valuers.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.13 Revenue from exchange transactions

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

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

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

#### Measurement

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

#### Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

#### Service Charges-Electricity

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on average consumption. Revenue arising from consumption of electricity in the month of June is fully accounted for whether invoiced or not.

#### Prepaid electricity

Revenue from the sale of electricity prepaid meter cards and other services provided on pre-payment basis are recognised at the point of sale.

#### Refuse removal

Revenue relating to refuse removal is recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

#### Rental income

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

#### Tariff charges

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.13 Revenue from exchange transactions (continued)

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

#### Income from agency fees

Revenue arising out of situations where the municipality acts as an agent on behalf of another municipality (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

#### Investment income

Revenue arising from the use by others of municipality assets yielding interest, is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality and the amount of the revenue can be measured reliably. Interest received is recognised, in surplus or deficit using the effective interest rate method.

#### Interest, royalties and dividends

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

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

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

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

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

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

### 1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

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

#### Measurement

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

#### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.14 Revenue from non-exchange transactions (continued)

#### Fines

Revenue from the issuing of fines is recognised when:

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

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

#### Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.14 Revenue from non-exchange transactions (continued)

#### Recovery of unauthorised, fruitless and wasteful expenditure

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

#### Taxes

The Municipality accounts for Value Added Tax (VAT) on the invoice basis. Revenue, expenses and assets are recognised net of the VAT amount. The net amount of VAT recoverable from or payable to the South African Revenue Services is disclosed on the face of the statement of financial position.

### 1.15 Investment income

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

### 1.16 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.

### 1.17 Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended prior period comparative amounts are also reclassified and restated unless such comparative reclassification and/or restatement is not required by a standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors which relate to prior periods have been identified in the current year, the correction is made retrospectively as far as practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with the prior periods. Where there has been a reclassification or restatement the nature and reasons for the reclassification and restatement are disclosed in **note 47** 'Prior Period Errors' to the financial statements.

### 1.18 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.

### 1.19 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.

### 1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure -



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Annual Financial Statements for the year ended 30 June 2020

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### 1.20 Irregular expenditure (continued)

- (a) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- (b) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of this Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998, (Act 20 of 1998);  
Expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of MLM or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law; or  
excludes expenditure by a municipality which falls within the definition of „unauthorised expenditure.

Irregular expenditure that was incurred and identified during the current financial and which was written-off before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register

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.

### 1.21 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.

### 1.22 Change in accounting policy, estimate and errors

Changes in accounting policy that are affected by management have been applied retrospectively in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the accumulative effect of the change in policy. In such cases the municipality restates the opening balances of assets and liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of the changes in accounting policy are disclosed in the notes to the annual financial statements where applicable.

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

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative effects of the error. In such cases the municipality restates the opening balances of assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of prior period errors are disclosed in note 40 of the financial statements where applicable.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.23 Budget information

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

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

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

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### 1.24 Related parties

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

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

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

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

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

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

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

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

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

### 1.25 Share capital / contributed capital

Gains and losses arising from fair value adjustments on investments, loans and disposal of assets are presented separately from other revenue in the Statement of Financial Performance. Income, expenditure, gains and losses are recognised in surplus or deficit except for the exceptional cases where recognition directly in net assets is specifically allowed or required by a standard of GRAP.

### 1.26 Events after reporting date

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

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.26 Events after reporting date (continued)

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

### 1.27 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in an outflow of resources embodying economic benefits or service potential. Commitments are not recorded in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- Approved and contracted commitments
- where the expenditure has been approved and the contract has been awarded at the reporting date;
- where disclosure is required by a specific standard of GRAP

### 1.28 Heritage assets

Assets are resources controlled by a municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

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

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.28 Heritage assets (continued)

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

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

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

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

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

#### Impairment

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

#### Transfers

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

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

#### Derecognition

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

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

### 1.29 Statutory receivables

#### Identification

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

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

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

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.29 Statutory receivables (continued)

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

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

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using prime+1.

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

#### Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

#### Impairment losses

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

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

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

# Mbizana Local Municipality

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## Accounting Policies

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### 1.29 Statutory receivables (continued)

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

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

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

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

### Derecognition

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

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

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

### 1.30 Accounting by principals and agents

#### Identification

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

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

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

#### Identifying whether an entity is a principal or an agent

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

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

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.30 Accounting by principals and agents (continued)

#### Binding arrangement

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

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

#### Assessing which entity benefits from the transactions with third parties

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

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

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

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

#### Recognition

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

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

### 1.31 Contingent assets and contingent liabilities

The municipality does not recognise contingent liabilities or contingent assets but discloses them.

A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is a possible inflow of resources embodying economic benefits or service potential that is subject to one or more uncertain future events beyond the control of the municipality.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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## 2. New standards and interpretations

### 2.1 Standards and interpretations effective and adopted in the current year

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

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
<ul style="list-style-type: none"><li>Directive 7 (revised): The Application of Deemed Cost</li></ul>	01 April 2019	The impact of the is not material.
<ul style="list-style-type: none"><li>GRAP 20: Related parties</li></ul>	01 April 2019	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
<ul style="list-style-type: none"><li>GRAP 108: Statutory Receivables</li></ul>	01 April 2019	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
<ul style="list-style-type: none"><li>GRAP 109: Accounting by Principals and Agents</li></ul>	01 April 2019	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
<ul style="list-style-type: none"><li>IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land</li></ul>	01 April 2019	The impact of the is not material.
<ul style="list-style-type: none"><li>IGRAP 19: Liabilities to Pay Levies</li></ul>	01 April 2019	The impact of the is not material.

### 2.2 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 2020 or later periods:

### 2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods but are not relevant to its operations:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
<ul style="list-style-type: none"><li>GRAP 104 (amended): Financial Instruments</li></ul>	01 April 2009	Not expected to impact results but may result in additional disclosure
<ul style="list-style-type: none"><li>Guideline: Guideline on Accounting for Landfill Sites</li></ul>	01 April 2009	Not expected to impact results but may result in additional disclosure
<ul style="list-style-type: none"><li>Guideline: Guideline on the Application of Materiality to Financial Statements</li></ul>	01 April 2009	Not expected to impact results but may result in additional disclosure



# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Not expected to impact results but may result in additional disclosure
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Not expected to impact results but may result in additional disclosure
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	Not expected to impact results but may result in additional disclosure

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	34 200 900	-	34 200 900	25 097 000	-	25 097 000

#### Reconciliation of investment property - 2020

Investment property	Opening balance	Fair value adjustments	Total
	25 097 000	9 103 900	34 200 900

#### Reconciliation of investment property - 2019

Investment property	Opening balance	Fair value adjustments	Total
	6 131 700	18 965 300	25 097 000

#### Pledged as security

There are no investment properties pledged as security:

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

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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### 3. Investment property (continued)

#### Details of valuation

The effective date of the revaluations was Tuesday, 30 June 2020. Revaluations were performed by an independent valuer, PJ Lindstrom a Professional Valuer - Reg. No 935/7, of Penny Lindstrom Valuations. PJ Lindstrom is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on discounted cash flows.

For investment property, totalling R 34 200 900 (2019: R 25 097 000), where there was a lack of comparable market data, the valuation was based on discounted cash flows. The following assumptions were used:  
Capitalisation rate of 8.3% to 10%

#### Maintenance of investment property

There were no maintenance cost incurred by the municipality on investment property.

#### Amounts recognised in surplus or deficit

Rental revenue from Investment property	4 983 849	2 139 541
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The valuation of investment properties was delayed by a month due to the delays caused by the enforcement of the national lockdown regulations in response to the outbreak of Covid-19.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3 552 990	-	3 552 990	3 552 990	-	3 552 990
Buildings	33 014 552	(6 160 220)	26 854 332	31 725 114	(5 433 157)	26 291 957
Plant and machinery	23 283 565	(9 884 482)	13 399 083	20 658 290	(7 255 567)	13 402 723
Furniture and fixtures	19 969 966	(13 046 024)	6 923 942	17 912 111	(10 239 083)	7 673 028
Motor vehicles	14 432 265	(4 885 742)	9 546 523	14 317 041	(3 932 255)	10 384 786
Infrastructure	610 299 662	(225 128 392)	385 171 270	578 389 304	(205 234 873)	373 154 431
Community	94 306 434	(14 801 066)	79 505 368	94 336 295	(12 597 670)	81 738 625
Other property, plant and equipment	3 242 860	(961 933)	2 280 927	3 242 860	(794 673)	2 448 187
Work in progress	118 398 857	-	118 398 857	129 786 299	-	129 786 299
<b>Total</b>	<b>920 501 151</b>	<b>(274 867 859)</b>	<b>645 633 292</b>	<b>893 920 304</b>	<b>(245 487 278)</b>	<b>648 433 026</b>

### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	3 552 990	-	-	-	-	3 552 990
Buildings	26 291 957	1 289 439	-	-	(727 064)	26 854 332
Plant and machinery	13 402 723	2 625 274	-	(132 295)	(2 496 619)	13 399 083
Furniture and fixtures	7 673 028	2 265 767	(63 919)	-	(2 950 934)	6 923 942
Motor vehicles	10 384 786	1 613 952	(1 086 778)	-	(1 365 437)	9 546 523
Infrastructure	373 154 431	14 633 053	(1 528 096)	28 277 924	(29 366 042)	385 171 270
Community	81 738 625	-	-	-	(2 233 257)	79 505 368
Landfill sites	2 448 187	-	-	-	(167 260)	2 280 927
Work in progress	129 786 299	65 162 840	(48 404 653)	(28 145 629)	-	118 398 857
	<b>648 433 026</b>	<b>87 590 325</b>	<b>(51 083 446)</b>	<b>-</b>	<b>(39 306 613)</b>	<b>645 633 292</b>

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	3 552 990	-	-	-	-	-	3 552 990
Buildings	27 302 839	-	-	-	(862 296)	(148 586)	26 291 957
Plant and machinery	11 834 834	3 933 095	-	-	(2 365 206)	-	13 402 723
Furniture and fixtures	7 235 759	2 547 540	(16 099)	600 000	(2 694 172)	-	7 673 028
Motor vehicles	9 463 410	2 795 970	(430 410)	-	(1 444 184)	-	10 384 786
Infrastructure	381 029 002	22 397 466	(7 054 061)	9 957 335	(30 939 069)	(2 236 242)	373 154 431
Community	75 019 300	2 408 320	-	6 418 800	(2 107 795)	-	81 738 625
Landfill sites	2 615 448	-	-	-	(167 261)	-	2 448 187
Work in progress	80 468 278	64 774 606	-	(15 456 585)	-	-	129 786 299
	<b>598 521 860</b>	<b>98 856 997</b>	<b>(7 500 570)</b>	<b>1 519 550</b>	<b>(40 579 983)</b>	<b>(2 384 828)</b>	<b>648 433 026</b>

#### Pledged as security

There are no Property, Plant and Equipment pledged as security.

#### Depreciation rates

Land	Straight-line	Undefined
Buildings	Straight-line	5 - 100 years
Plant and machinery	Straight-line	2 - 15 years
Furniture and fixtures	Straight-line	2 - 26 years
Motor vehicles	Straight-line	3 - 14 years
Office equipment	Straight-line	3 - 26 years
IT equipment	Straight-line	3 - 17 years
Infrastructure	Straight-line	5 - 100 years
Community	Straight-line	10 - 50 years
Other property, plant and equipment	Straight-line	5 - 21 years
Park facilities	Straight-line	10 - 50 years

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>4. Property, plant and equipment (continued)</b>		
<b>Capitalised expenditure (excluding borrowing costs)</b>		
Buildings	1 289 439	-
Plant and machinery	2 625 274	3 933 095
Furniture and fixtures	2 265 767	2 547 540
Motor vehicles	1 613 952	2 795 970
Infrastructure	14 633 053	22 397 466
Community	-	2 408 320
Work in progress	65 162 840	64 774 606
	<b>87 590 325</b>	<b>98 856 997</b>
<b>Compensation received for losses on property, plant and equipment</b>		
Furniture and fixtures	13 275	-
Motor vehicles	172 950	92 303
IT equipment	9 375	3 857
	<b>195 600</b>	<b>96 160</b>

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>4. Property, plant and equipment (continued)</b>		
<b>Property, plant and equipment in the process of being constructed or developed</b>		
<b>Cumulative expenditure recognised in the carrying value of property, plant and equipment</b>		
Other PPE	2 367 148	63 000
Infrastructure	52 436 800	92 073 118
Community	63 594 909	37 650 181
	<b>118 398 857</b>	<b>129 786 299</b>

During the month of March 2020, a national state of disaster was declared as a result of the outbreak of the Covid-19 global pandemic which was then followed by the enforcement of the national lockdown. As a result of the lockdown regulations capital projects that were in the process of being built were stopped for more than a month as most of work not considered essential to save lives was stopped. This resulted in the delay on the construction of some of the municipality's assets.

Even though the lockdown regulations were relaxed and the list of essential services revised to include construction works, it was still not possible to work on some projects as there were still restrictions on movement including some suppliers of certain materials not operating.

This affected the completion of Ward 30 Community hall that was then completed in July 2020. All other projects were just delayed but not expected to be completed.

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

Community Assets	28 961 079	23 077 483
Bizana Sport field was previously delayed due to lack of funding, however the Department of Sport and Cogta have agreed to fund the construction as multi year project that is scheduled to be completed in 2021		
Road infrastructure	6 343 328	6 343 328
Sidanga Access Road delayed due to the fine municipality received from DEDEA for working without ORD		
Electricity Projects	25 589 959	46 197 350
Electrification of Ukhalo, Mdikisweni, Pelepele, Diphini, Mandlobe and Sigodlweni that was planned to be completed in 2018/19 but were delayed by community unrest during the implementation of the project		
8 MVA Backbone line that has been delayed by approvals required from Eskom that took longer than expected.		
Last year's balance relates to Monti-Ntlozelo electrification that has since been completed and transferred to Eskom.		
	<b>60 894 366</b>	<b>75 618 161</b>

### Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	92 073 118	37 650 181	63 000	129 786 299
Additions/capital expenditure	36 913 964	25 944 728	2 304 148	65 162 840
Disposals(Transfer to ESKOM)	(48 404 653)	-	-	(48 404 653)
Transferred to completed assets	(28 145 629)	-	-	(28 145 629)
	<b>52 436 800</b>	<b>63 594 909</b>	<b>2 367 148</b>	<b>118 398 857</b>

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand 2020 2019

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

#### Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	59 794 298	20 610 980	63 000	80 468 278
Additions/capital expenditure	41 316 605	23 458 001	-	64 774 606
Transferred to completed items	(9 037 785)	(6 418 800)	-	(15 456 585)
	<b>92 073 118</b>	<b>37 650 181</b>	<b>63 000</b>	<b>129 786 299</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

Employee related costs	3 620 077	3 356 014
Contracted services	15 356 918	8 576 034
Fuel and Oil	-	603 796
General expenses	503 909	112 610
	<b>19 480 904</b>	<b>12 648 454</b>



# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand		2020	2019
<b>4. Property, plant and equipment (continued)</b>			
<b>Funding of property, plant and equipment acquisitions</b>			
	Funding type		
<b>Additions to property, plant and equipment was funded from the following sources:</b>			
<b>Plant and Machinery</b>			
Internally generated funds	Own revenue	2 625 274	3 933 095
<b>Infrastructure Assets</b>			
Municipal Infrastructure Grant	Government grant	8 192 536	17 886 200
Internally generated funds'	own revenue'	6 440 517	4 511 266
<b>Community Assets</b>			
Municipal Infrastructure Grant	Government grant	-	1 514 655
Internally generated funds	Own revenue	-	893 665
<b>Furniture and fixtures</b>			
Internally generated funds	own revenue	2 182 515	2 547 540
Disaster Grant	Government grant	83 252	-
<b>Transport Assets</b>			
Internally generated funds	own revenue	1 613 952	2 795 970
<b>Work in Progress</b>			
Municipal Infrastructure Grant	Government grant	36 682 149	27 358 240
Integrated National Electrification Grant	Government grant	19 724 545	22 893 394
Internally generated funds'	Own revenue	8 756 146	14 522 972
<b>Buildings</b>			
Internally generated funds	Own revenue	1 289 439	-
		<b>87 590 325</b>	<b>98 856 997</b>

### Change in the opening balance of the PPE

Aggregate of items valued using deemed cost	-	12 738 885
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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.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	1 230 799	-	1 230 799	1 230 799	-	1 230 799

#### Reconciliation of heritage assets 2020

	Opening balance	Total
Historical monuments	1 230 799	1 230 799

#### Reconciliation of heritage assets 2019

	Opening balance	Total
Historical monuments	1 230 799	1 230 799

#### Restrictions on heritage assets

There were no restrictions on heritage assets:

#### Pledged as security

There are no heritage assets pledged as security:

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 6. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 230 573	(2 032 083)	198 490	2 230 573	(1 901 545)	329 028

#### Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	329 028	(130 538)	198 490

#### Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software, other	774 233	(445 205)	329 028

#### Pledged as security

There are no intangible assets pledged as security and there are no restrictions on the title:

### 7. Operating lease asset

Current assets	4 437 945	1 636 755
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# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>8. Prepayments</b>		
Prepayments	13 493 203	18 449 866
Prepaid expenses are those expenses that are paid for in one accounting period, but for which the underlying services or goods will be received in a future period.		
During the year under review the municipality paid for services and goods that will be received or rendered in the following accounting period.		
These were the suppliers' requirements as they required payment before services or goods can be rendered or delivered. The supplier is:		
<ul style="list-style-type: none"><li>Belgotex Floor Covering</li><li>ESKOM Holdings for Electricity Projects</li></ul>	R 10 423 982.95 R 3 039 220.23	
ESKOM Holdings prepayments is for Electricity Project that will constructed.. The municipality pays 5% to Eskom after appointing the service provider for a particular project. This 5% is paid for the meter and documentation that ESKOM provide to the municipality.		
Belgotex Floor Covering prepayment is for the material that is needed for the Mputhumi Mafumbatha Stadium, that is currently being constructed.		
<b>9. Inventories</b>		
Inventories	2 042 491	1 271 227
Inventories (write-downs)	-	-
	<b>2 042 491</b>	<b>1 271 227</b>
<b>Inventory pledged as security</b>		
There is no Inventory pledged as security		
<b>10. Other receivables from exchange transactions</b>		
Trade debtors	5 615 215	1 502 757
Consumer debtors - Electricity	365 513	328 668
	<b>5 980 728</b>	<b>1 831 425</b>
<b>Other receivables from exchange transactions</b>		
Trade Debtors	5 615 215	1 502 757
Consumer debtors - Land Sales	210 030	210 030
Provision for bad debts consumer debtors - Land sales	(210 030)	(210 030)
Consumer debtors - Electricity	956 457	956 457
Provision for bad debts consumer debtors - Electricity	(590 944)	(627 789)
	<b>5 980 728</b>	<b>1 831 425</b>
<b>Trade and other receivables pledged as security</b>		
The municipality has no debtors that are pledged as security.		
<b>Fair value of trade and other receivables</b>		
Trade and other receivables	5 980 728	1 831 425

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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### 10. Other receivables from exchange transactions (continued)

#### Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R - (2019: R 1 212 253) were past due but not impaired.

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

3 months past due	-	1 212 253
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#### Trade and other receivables impaired

As of 30 June 2020, trade and other receivables of R 1 166 487 (2019: R 1 166 487) were impaired and provided for.

The amount of the provision was R (800 974) as of 30 June 2020 (2019: R (837 819)).

The ageing of these amounts is as follows:

Over 6 months	1 166 487	1 667 639
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During the month of March 2020, a national state of disaster was declared due to the outbreak of the Covid-19 global pandemic which was then followed by the enforcement of the national lockdown. The lockdown had a negative impact on the people's affordability levels to service their municipal debt as they were unable to earn an income.

There is limited data to determine the full and actual impact of these limitations to both movement and generation of income, however, the assessment of the municipality's debt collectibility indicated a significant growth of our receivables at year end. This was assessed to be because of the affordability levels affected and limitation of movement of consumers who could then not visit the municipality to reconcile their debts and or make arrangements.

During this time the municipality was also unable for fully implement its credit control and debt collection measures which included limiting access to municipal services due to national directives pleading to government institutions not implement these measure during this difficult period.

### 11. Receivables from non-exchange transactions

Government grants and subsidies	-	403 681
Payroll debtors	423 952	423 952
Overpayment - Councillors remuneration	449 136	995 464
	<b>873 088</b>	<b>1 823 097</b>

#### Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security

#### Fair value of receivables from non-exchange transactions

Other receivables from non-exchange transactions	873 088	1 823 097
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The net balance of receivables from non-exchange transactions approximate the fair value of these receivables]

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>12. Statutory receivables</b>		
The entity had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:		
Fines	7 145 207	5 166 784
These are receivables as a result of transgressions of laws and by-laws		
Fines impairment	(4 845 114)	(4 220 677)
This is impairment based on past experience and assessment of the category of debtors in terms of the policy on debt impairment		
Property Rates	38 004 675	25 908 801
These are receivables arising from the Municipal Property Rates Act		
Property Rates Impairment	(5 651 647)	(3 435 475)
This is impairment based on past experience and assessment of the individual debtors' performance in terms of the policy on debt impairment		
	<b>34 653 121</b>	<b>23 419 433</b>
Current assets	34 653 121	23 419 433

### Statutory receivables general information

#### Transaction(s) arising from statute

The Local Government: Municipal Property Rates Amendment Act, No. 19 of 2009 gives powers to a metropolitan or local municipality to levy a rate on property in its area. This also requires councils of municipalities to adopt a policy consistent with the Act on levying of rates on rateable property in the municipality.

Traffic fines are administered based on the National Road Traffic Act 93 of 1996 which intends to promote road traffic quality by providing for a scheme to discourage road traffic contraventions, to facilitate the adjudication of road traffic infringements, to support the prosecution of offences in terms of the national and provincial laws relating to road traffic, and implement a points demerit system; to provide for the establishment of an agency to administer the scheme; to provide for the establishment of a board to represent the agency; and to provide for matters connected therewith

Traffic fines are issued by law enforcement officials to motorists or other road users indicating that they violated traffic laws. These come in two forms, citing a moving violation, such as exceeding the speed limit or a non-moving violation, such as a parking violation.

Electricity fines are administered in terms of Electricity Act 41 of 1987 section 27(2) which states that any person who without legal right {the proof of which shall be upon him) abstracts, branches off or diverts or causes to be abstracted, branched off or diverted any electric current, or consumes or uses any such current which has been wrongfully or unlawfully abstracted, branched off or diverted, knowing it to have been wrongfully or unlawfully abstracted, branched off or diverted, shall be guilty of an offence and liable on conviction to 55 the penalties which may be imposed for theft.

#### Determination of transaction amount

The Local Government: Municipal Property Rates Amendment Act, No. 19 of 2009 requires municipalities intending to levy a rate on property in accordance with the Act to cause:

- a) a general valuation to be made of all properties in the municipality
- b) a valuation roll to be prepared of all properties determined

A tariff structure is then setup in terms of the council approved tariff policy. The tariffs are then applied to different categories of rateable properties to determine the amount payable for each qualifying property. A statement of account is then sent to the owner of each property to notify them of the amount payable and payment timeframes.

Both the Tariff and rates policy of the municipality are reviewed annually in compliance with the Act. During this review tariffs are also revised to ensure accuracy and correctness.

The general valuation in terms of the Act is valid for five years but is also reviewed annually through a supplementary valuation.

Calculations of Traffic fines

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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### 12. Statutory receivables (continued)

The penalties on the Traffic fine list book are prescribed under section 29(b) for each infringement and are must be imposed administratively in terms of Chapter III, subject to the discount contemplated in section 17(1)(d).

Calculations of Electricity fines

The penalties on the Electricity fine are prescribed under municipal tariffs policy as adopted by municipal council.

#### Interest or other charges levied/charged

Interest accrues after due date as indicated in the account statement which is 30 days, if the account remains unpaid at a rate of prime +1.

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

The impairment is based on the impairment type risk scoring and payment risk scoring determined as follows:

Allocating a SCORE based on the account's ageing, account status, account type and whether it's an owner or occupier – 2 being the max score on each.

If the account is inactive the status score gets a 2 and if the account is active (which means the possibility of retrieving the debt is better than the inactive account) it gets a zero score.

If the account is an occupier it gets a high score of 2 and if it's an owner its gets a zero because when the owner wants to sell he needs a clearance certificate and you will be able to retrieve the debt.

The last score is based on your Active Account Type Category – Government and Provincial accounts get a zero score because the municipality should be able settle the government accounts debt. Business score is 0.4 and household score is 1.25. In-Active account type the score is 2

Allocate a score depending on whether the account has outstanding balances in 30days, 60days, 90days, 120days etc. and the older the debt the higher the score. Refer to the payment risk table below

The Total Type Risk = Status Risk Score + Account Type Risk Score + Owner/Occupier Type Risk Score

Total Payment Risk = the payment risk scoring added together

The Provision factor is then the two risks multiplied together to get the numeric factor, the factor is then converted into a percentage which is applied to the outstanding balance. Any converted percentage from 100% and above is impaired fully (100%).

#### Statutory receivables past due but not impaired

Statutory receivables which are less than 1 month past due are not considered to be impaired. At 30 June 2020, R18 426 442 (2019: R14 965 054) were past due but not impaired.

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

1 month past due	64 800	45 582
2 months past due	36 200	57 482
3 months past due	18 325 442	14 861 990

#### Factors the entity considered in assessing statutory receivables past due but not impaired

Property rates that are past due but not impaired are Governments and Provincial accounts that the municipality should be able to settle.

Fines that are past due but not impaired are fines that were raised within 12 months of the financial year, and are outside the bracket of the Traffic Fines Impairment policy.

#### Statutory receivables impaired

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand 2020 2019

### 12. Statutory receivables (continued)

As of 30 June 2020, Statutory receivables of R45 149 882 (2019: R31 075 585) were impaired and provided for.

The amount of the provision was R10 496 761 as of 30 June 2020 (2019: R7 656 152).

The ageing of these receivables is as follows:

1 to 6 months	4 634 249	2 111 581
Over 6 months	40 515 633	28 964 004

### Factors the entity considered in assessing statutory receivables impaired

Provision for Impairment is determined according to the past payment patterns of the different consumers within the various categories.

An impairment calculation is forward-looking and one must therefore use the number of days that the particular financial asset is still expected to be outstanding based on the best information available at year-end. For this estimation it will be best to use a combination of key indicators that will provide a list of debtors that are most likely to be impairment.

Debtors are evaluated at each reporting date and impaired as per the Impairment of Debtors and Write-off Policy in line with National treasury guide lines.

### Reconciliation of provision for impairment for statutory receivables

Opening balance	7 656 152	5 925 387
Provision for impairment	2 840 609	1 730 765
	<b>10 496 761</b>	<b>7 656 152</b>

During the month of March 2020, a national state of disaster was declared due to the outbreak of the Covid-19 global pandemic which was then followed by the enforcement of the national lockdown. The lockdown had a negative impact on the people's affordability levels to service their municipal debt as they were unable to earn an income.

There is limited data to determine the full and actual impact of these limitations to both movement and generation of income, however, the assessment of the municipality's debt collectibility indicated a significant growth of our receivables at year end. This was assessed to be because of the affordability levels affected and limitation of movement of consumers who could then not visit the municipality to reconcile their debts and or make arrangements.

During this time the municipality was also unable for fully implement its credit control and debt collection measures which included limiting access to municipal services due to national directives pleading to government institutions not implement these measure during this difficult period

### 13. VAT receivable

VAT	27 015 164	22 044 520
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# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>14. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Receivables-service charges	32 023 561	20 590 106
<b>Less: Allowance for impairment</b>		
Provision for debt impairment	(15 148 477)	(9 925 832)
<b>Net balance</b>		
Receivables-service charges	16 875 084	10 664 274
<b>Service charges</b>		
Current (0 -30 days)	2 873 940	2 947 955
31 - 60 days	2 281 837	1 528 103
61 - 90 days	1 804 230	849 373
91 - 120 days	1 741 965	780 550
121 - 365 days	1 556 624	4 953 685
> 365 days	21 764 965	9 530 440
	<b>32 023 561</b>	<b>20 590 106</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	190 289	159 911
31 - 60 days	175 885	163 545
61 - 90 days	179 817	162 551
91 - 120 days	188 775	154 707
121 - 365 days	169 095	1 022 429
> 365 days	6 206 193	3 262 818
	7 110 054	4 925 961
Less: Allowance for impairment	(4 361 395)	(3 698 435)
	<b>2 748 659</b>	<b>1 227 526</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	2 318 513	2 044 441
31 - 60 days	1 635 862	675 724
61 - 90 days	1 167 135	376 472
91 - 120 days	1 073 088	325 350
121 - 365 days	940 818	1 810 224
> 365 days	12 000 125	6 113 166
	19 135 541	11 345 377
Less: Allowance for impairment	(10 787 083)	(6 227 397)
	<b>8 348 458</b>	<b>5 117 980</b>
<b>National and provincial government</b>		
Current (0 -30 days)	365 138	743 602
31 - 60 days	470 090	688 834
61 - 90 days	457 279	310 350
91 - 120 days	480 102	300 493
121 - 365 days	446 711	342 706
> 365 days	3 558 666	1 932 783
	<b>5 777 986</b>	<b>4 318 768</b>
<b>Total</b>		
Current (0 -30 days)	2 873 940	2 947 955

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>14. Receivables from exchange transactions (continued)</b>		
31 - 60 days	2 281 837	1 528 103
61 - 90 days	1 804 230	849 373
91 - 120 days	1 741 965	780 550
121 - 365 days	1 556 624	4 953 685
> 365 days	21 764 965	9 530 440
	<u>32 023 561</u>	<u>20 590 106</u>
Less: Allowance for impairment	(15 148 477)	(9 925 832)
	<b>16 875 084</b>	<b>10 664 274</b>
<b>Less: Allowance for impairment</b>		
Current (0 -30 days)	-	-
31 - 60 days	(528 402)	(363 668)
61 - 90 days	(510 617)	(264 721)
91 - 120 days	(554 269)	(301 522)
121 - 365 days	(500 553)	(276 134)
> 365 days	(13 054 636)	(8 719 787)
	<u>(15 148 477)</u>	<u>(9 925 832)</u>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(9 925 832)	(8 949 617)
Contributions to allowance	(5 222 645)	(976 215)
	<u>(15 148 477)</u>	<u>(9 925 832)</u>

### Consumer debtors pledged as security

There were no consumer debtors pledged as security in the 2019 - 20 financial year.

### Credit quality of consumer debtors

In determining the recoverability of consumer debt the municipality considers any changes in the credit quality of the consumer debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the consumer base being large and unrelated. Accordingly, the provision for impairment is determined according to the past payment patterns of each consumers within the various categories. The calculation of the provision for bad debts is automated in the system which is configured according to the national treasury scoring method.

### Fair value of receivables- service charges

Consumer debtors	<u>16 875 084</u>	<u>10 664 274</u>
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The fair value of receivables from services charges is determined by taking the gross amount less allowance for impairment.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

	2020	2019
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### 14. Receivables from exchange transactions (continued)

#### Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R 11 124 614 (2019: R 6 993 772) were past due but not impaired.

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

1 month past due	633 959	678 927
2 months past due	660 374	302 606
3 months past due	9 830 281	6 012 239

#### Consumer debtors impaired

As of 30 June 2020, consumer debtors of R 32 023 561 (2019: R 20 590 106) were impaired and provided for.

The amount of the provision was R 15 148 477 as of 30 June 2020 (2019: R 9 925 832).

The ageing of these loans is as follows:

3 to 6 months	3 298 589	5 734 235
Over 6 months	10 258 596	9 530 440

During the month of March 2020, a national state of disaster was declared due to the outbreak of the Covid-19 global pandemic which was then followed by the enforcement of the national lockdown. The lockdown had a negative impact on the people's affordability levels to service their municipal debt as they were unable to earn an income.

There is limited data to determine the full and actual impact of these limitations to both movement and generation of income, however, the assessment of the municipality's debt collectibility indicated a significant growth of our receivables at year end. This was assessed to be because of the affordability levels affected and limitation of movement of consumers who could then not visit the municipality to reconcile their debts and or make arrangements.

During this time the municipality was also unable for fully implement its credit control and debt collection measures which included limiting access to municipal services due to national directives pleading to government institutions not to implement these measures during this difficult period.

#### Reconciliation of allowance for impairment of consumer debtors

Opening balance	(9 925 832)	(8 949 617)
Allowance for impairment	(5 222 645)	(976 215)
	<b>(15 148 477)</b>	<b>(9 925 832)</b>

### 15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	730	2 005
Bank balances	3 610 199	3 959 862
Short-term deposits	170 033 377	119 500 775
	<b>173 644 306</b>	<b>123 462 642</b>

The Covid-19 global pandemic has forced the South African Reserve Bank to cut interest rates resulting in a decrease to amounts generated in the form of interests from cash reserves. Even though the municipality was also affected but the impact of these interest rate cuts were not material in the municipality's cash and cash equivalents. The municipality's cash and cash equivalents are only made of cash reserves and cash on hand.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand 2020 2019

### 15. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
FNB BANK - Public Sector - Cheque Account-51704922107	3 165 219	3 872 541	13 499 124	3 610 199	3 959 864	13 483 587
FNB BANK - Business Call Account-62550717767	1 824 680	5 045 623	-	1 824 680	5 045 623	-
FNB BANK - Business Call Account-6250715828	47 506	-	-	47 506	-	-
FNB BANK - Business Call Account-62459758078	4 574 859	3 060	-	4 574 860	3 061	(15)
FNB BANK - Business Call Account - 62852108531	8 035	-	-	6 526	-	-
FNB BANK - Business Call Account - 62816773073	615 270	-	-	21 807	-	-
FNB BANK - Business Call Account - 62816769220	776 294	-	-	776 295	-	-
FNB BANK - Business Call Account - 62816767026	-	-	-	-	-	1
FNB BANK - Business Call Account - 6202224555	-	-	1 241	-	-	1 241
FNB BANK - Business Call Account - 62028477992	162 781 702	114 452 088	77 300 623	162 781 703	114 452 088	77 300 623
FNB BANK - Public Sector Account-61170003788	-	-	417 420	-	-	417 421
FNB BANK - Public Sector Cheque Account-51701039997	-	-	1 889 183	-	-	1 879 626
FNB BANK -32 day notice-740- 0292-4914	-	-	256 520	-	-	256 519
FNB BANK - Business Call Account - 611700303564	-	-	42 221	-	-	42 221
FNB BANK - Business Call Account - 620003246693	-	-	21 237	-	-	21 237
FNB BANK - Business Call Account - 611700003374	-	-	99 304	-	-	99 304
FNB BANK - Business Call Account - 620022692439	-	-	387 225	-	-	387 255
FNB BANK - Business Call Account - 62122946447	-	-	4 482	-	-	4 482
FNB BANK - Business Call Account - 6212246661	-	-	619 443	-	-	619 443
FNB BANK - Business Call Account - 62122946778	-	-	6 495	-	-	6 495
FNB BANK - Business Call Account - 62122946926	-	-	6 495	-	-	6 495
<b>Total</b>	<b>173 793 565</b>	<b>123 373 312</b>	<b>94 551 013</b>	<b>173 643 576</b>	<b>123 460 636</b>	<b>94 525 935</b>

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand 2020 2019

### 16. Unspent conditional grants and receipts

The conditions relating to full expenditure were not met for the grants disclosed as unspent conditional grants and receipts. These amounts are accounted for as a current liability until a roll-over is granted by National Treasury and the spending condition is met.

#### Unspent conditional grants and receipts comprises of:

##### Unspent conditional grants and receipts

DSRAC: Library Grant	702 533	448 423
Integrated National Electrification Grant	6 305 589	-
Financial Management Grant	47 505	-
GIS Grant - Alfred Nzo	100 000	100 000
Municipal Infrastructure Grant	541 598	6 126 580
Disaster Grant	5 474	-
Waste Management Grant	413 515	11 610
	<b>8 116 214</b>	<b>6 686 613</b>

#### Movement during the year

Balance at the beginning of the year	6 686 613	1 439 847
Additions during the year	88 770 000	97 024 000
Income recognition during the year	(87 340 399)	(91 777 234)
	<b>8 116 214</b>	<b>6 686 613</b>

During the month of March 2020, a national state of disaster was declared due to the outbreak of the Covid-19 global pandemic which was then followed by the enforcement of the national lockdown. The lockdown resulted in services funded through grants being halted for a period ranging from a month to three months. These services included construction of roads, community facilities and electrification programmes.

As a result of the lockdown the municipality could not spend all its conditional grants at year end. These were directly affected by the restrictions placed on operations by the national lockdown regulations in an attempt to curb the spread of the Covid-19.

The resulting impact was an increase during the year of the unspent conditional grants from R6.6 million to R8.1 million. The municipality has submitted an application to National Treasury for these funds to be rolled over into the next financial year from which an outcome is expected before the end of October 2020.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand 2020 2019

### 17. Provisions

#### Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Environmental rehabilitation	6 416 740	7 767 397	(752 276)	(5 664 464)	7 767 397
Provision for long service bonuses	1 000 022	799 960	-	(1 000 022)	799 960
Bonus provision	1 898 611	2 095 540	-	(1 898 611)	2 095 540
Staff leave provision	13 075 421	14 785 631	(178 289)	(12 897 132)	14 785 631
	<b>22 390 794</b>	<b>25 448 528</b>	<b>(930 565)</b>	<b>(21 460 229)</b>	<b>25 448 528</b>

#### Reconciliation of provisions - 2019

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	6 382 864	6 416 740	(6 382 864)	6 416 740
Provision for long service bonuses	400 314	599 708	-	1 000 022
Bonus provision	1 792 279	1 898 611	(1 792 279)	1 898 611
Staff leave provision	5 665 928	13 075 421	(5 665 928)	13 075 421
	<b>14 241 385</b>	<b>21 990 480</b>	<b>(13 841 071)</b>	<b>22 390 794</b>

Non-current liabilities	5 495 061	3 919 566
Current liabilities	19 953 467	18 471 228
	<b>25 448 528</b>	<b>22 390 794</b>

#### Environmental rehabilitation provision

The municipality operates a refuse disposal site. In accordance with legislation and to comply with the Department of Water Affairs (DWA) and Department of Economic Development and Environmental Affairs (DEDEAT) on the landfill waste sites, the municipality raises a provision every year for the estimated cost of rehabilitating the land over which the site is situated.

The provision has been made for his cost based on the construction budget to rehabilitate the landfill site at 30 June 2020 taking into account price escalation of 4.5% relating to inflation.

A valuation of the rehabilitation was conducted by an independent valuer (Khuselindalo Environmental Development) and a liability has been raised. Movements in the provision are recognised in the Statement of Financial Performance. The provision has been determined on the basis of a recent independent financial requirement and viability study.

#### Bonus provision

All permanent employees are entitled to receive a bonus to one month basic salary on their birth month therefore an accrual of the proportionate bonus is accrued from year end till the next birth date for each employee.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand 2020 2019

### 17. Provisions (continued)

#### Staff leave provision

The municipality offers employees 2 days for every month completed and is therefore liable to pay the employee the amount equivalent to the leave days not taken at year end upon resignation or retirement. This is calculated based on the cost to the company rate per day.

### 18. Payables from exchange transactions

Trade payables	5 901 804	3 896 432
Payments received in advanced - contract in process	1 274 118	918 700
Retention	12 229 362	10 830 864
Accrued expense	7 347 975	7 666 669
Provision for workmen's compensation	1 969 992	1 403 394
Unallocated receipts	784 253	784 253
Payroll creditors	181 297	178 968
	<b>29 688 801</b>	<b>25 679 280</b>

The average payment period for services is 30 days from the receipt of the invoice as required by the MFMA.

Interest charged and penalties charged for late payments have been disclosed separately.

The municipality has considered the effect of discounting trade creditors to fair value and the difference was considered immaterial. Accordingly trade and other payables approximate fair value.

Workmen's compensation provision: In terms of COIDA Act every employer must pay workmen's compensation to the Department of Labour. The compensation fund sends employers notices of assessment every year in April indicating the amount that must be paid. The municipality thus raises a provision for the amount payable in the following year. This is based on the budgeted total personnel expenditure for the year and a percentage as determined by the Department of Labour.

#### Fair value of payables from exchange transactions

Trade payables	29 688 801	25 679 280
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### 19. Consumer deposits

Electricity	132 596	132 596
Hall Hire	370 295	396 638
	<b>502 891</b>	<b>529 234</b>

Consumer deposits for electricity are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts council can utilise the deposits as payment for the outstanding amount.

Hall hire deposits are paid by consumers on hiring any of the municipal community halls. The deposit is a damage deposit and is paid back to the consumer after the event and if no damages occurred.

Consumer deposits collected do not accrue any interest.

The carrying value of consumer deposits approximates their fair value.

### 20. Financial instruments disclosure

#### Categories of financial instruments

#### 2020

#### Financial assets

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>20. Financial instruments disclosure (continued)</b>		
	At amortised cost	Total
Trade and other receivables from exchange transactions	22 855 812	22 855 812
Other receivables from non-exchange transactions	873 088	873 088
Cash and cash equivalents	173 644 306	173 644 306
	<b>197 373 206</b>	<b>197 373 206</b>
<b>Financial liabilities</b>		
	At amortised cost	Total
Trade and other payables from exchange transactions	29 688 801	29 688 801
Taxes and transfers payable (non-exchange)	8 116 214	8 116 214
Consumer Deposit	502 891	502 891
	<b>38 307 906</b>	<b>38 307 906</b>
<b>2019</b>		
<b>Financial assets</b>		
	At amortised cost	Total
Trade and other receivables from exchange transactions	12 495 699	12 495 699
Receivables from non-exchange transactions	1 823 097	1 823 097
Cash and cash equivalents	123 462 642	123 462 642
	<b>137 781 438</b>	<b>137 781 438</b>
<b>Financial liabilities</b>		
	At amortised cost	Total
Trade and other payables from exchange transactions	25 679 280	25 679 280
Taxes and transfers payable (non-exchange)	6 686 613	6 686 613
Consumer deposits	529 234	529 234
	<b>32 895 127</b>	<b>32 895 127</b>
<b>Financial instruments in Statement of financial performance</b>		
<b>2020</b>		
	At amortised cost	Total
Interest income for financial instruments at amortised cost	11 333 963	11 333 963
<b>2019</b>		
	At amortised cost	Total
Interest income for financial instruments at amortised cost	10 505 282	10 505 282



# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>21. Revenue</b>		
Service charges	38 374 181	35 684 754
Rental of facilities and equipment	5 096 656	2 223 563
Agency services	1 020 949	1 270 965
Commissions received	130 093	114 067
Recoveries	8 152	284 365
Other income - (rollup)	599 258	963 291
Interest received	14 572 347	12 819 533
Property rates	21 251 036	18 966 665
Government grants & subsidies	347 946 580	321 149 385
Fines, Penalties and Forfeits	2 065 515	1 037 884
	<b>431 064 767</b>	<b>394 514 472</b>

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

Service charges	38 374 181	35 684 754
Rental of facilities and equipment	5 096 656	2 223 563
Agency services	1 020 949	1 270 965
Commissions received	130 093	114 067
Recoveries	8 152	284 365
Other income - (rollup)	599 258	963 291
Interest received	14 572 347	12 819 533
	<b>59 801 636</b>	<b>53 360 538</b>

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

**Taxation revenue**

Property rates	21 251 036	18 966 665
Licences or permits	2 236 951	2 256 590

**Transfer revenue**

Government grants & subsidies	347 946 580	321 149 385
Fines, Penalties and Forfeits	2 065 515	1 037 884

**373 500 082      343 410 524**

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>22. Property rates</b>		
<b>Rates income</b>		
Rates levied	21 251 036	18 966 665
<b>Valuations</b>		
Residential	234 554 000	222 933 500
Commercial	834 559 000	746 476 000
State	1 182 448 500	1 030 283 000
Municipal	66 562 500	136 468 500
	<b>2 318 124 000</b>	<b>2 136 161 000</b>

The general valuations on properties is performed every 5 years by an independent valuer (currently being Sizanane Consulting). 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.

A general rate of R0.0090 (business), R0.0050 (Residential), R0.0120 (State) is applied to property valuations to determine assessment rates. Rebates of R55 000 are granted to residential and state property owners.

Rates are levied on an annual basis with the final date for payment being Monday, 30 September 2019 for annual payment. Interest at prime plus 1% per annum (2019: 1%) is levied on rates outstanding 30 days after due.

The Municipality received 26 objections, which 14 of these were Residential objections on CBD Properties and 12 were Public Works properties in Rural valuation. These objection were dealt with and resolved in a period of month.

### 23. Service charges

Sale of electricity	33 884 362	31 228 882
Solid waste	4 489 819	4 455 872
	<b>38 374 181</b>	<b>35 684 754</b>

During the month of March 2020, a national state of disaster was declared due to the global outbreak of Covid-19 which resulted in the enforcement of the national lockdown regulations that resulted in certain types of businesses closed for more than a month.

During this period businesses that did not operating did not generate any waste requiring disposal which meant that the municipality did not earn any income for that service. A resolution was taken by council not to bill refuse removal income as a form of relief to those businesses. This resulted in the income generated and recognised being lower than was anticipated by R201 303.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>24. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	260 384 000	230 525 000
MIG Operational	2 418 100	2 214 199
Financial Management Grant	2 167 495	2 215 000
Expanded Public Works Programme Grant	2 452 000	2 335 000
LGSET / Skills Development Grant	222 181	174 965
Dept Sport & Culture - Library	245 890	-
DEDEAT- Alien Plant Vegetation	2 884 095	-
Disaster Relief Grant	709 526	-
	<b>271 483 287</b>	<b>237 464 164</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	51 528 882	51 075 221
Integrated National Electrification Programme	24 934 411	32 610 000
	<b>76 463 293</b>	<b>83 685 221</b>
	<b>347 946 580</b>	<b>321 149 385</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	88 770 000	97 024 000
Unconditional grants received	260 384 000	230 525 000
	<b>349 154 000</b>	<b>327 549 000</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy of R 3 873 420 (2019: R 3 426 617), which is funded from the grant.		
<b>Equitable Share</b>		
Current-year receipts	260 384 000	230 525 000
Conditions met - transferred to revenue	(260 384 000)	(230 525 000)
	-	-
<b>DSRAC Library Grant</b>		
Balance unspent at beginning of year	448 423	423
Current-year receipts	500 000	448 000
Conditions met - transferred to revenue	(245 890)	-
	<b>702 533</b>	<b>448 423</b>
The spending conditions in relation to the grant received was not met fully, therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grant (see note 16).		
<b>LGSETA / Skills Development Grant</b>		
Current-year receipts	222 181	174 965
Conditions met - transferred to revenue	(222 181)	(174 965)
	-	-

The municipality fully met the spending conditions and the whole allocation was transferred to revenue.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>24. Government grants and subsidies (continued)</b>		
<b>EPWP Grant</b>		
Current-year receipts	2 452 000	2 335 000
Conditions met - transferred to revenue	(2 452 000)	(2 335 000)
	-	-
The municipality fully met the spending conditions and the whole allocation was transferred to revenue.		
<b>Integrated National Electrification Grant</b>		
Current-year receipts	31 240 000	32 610 000
Conditions met - transferred to revenue	(24 934 411)	(32 610 000)
	<b>6 305 589</b>	-
The spending conditions in relation to the grant received was not met fully, therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 16).		
<b>RTMC Grant</b>		
Current-year receipts	-	56 200
Conditions met - transferred to revenue	-	(56 200)
	-	-
The municipality fully met the spending conditions and the whole allocation was transferred to revenue.		
<b>Financial Management Grant</b>		
Current-year receipts	2 215 000	2 215 000
Conditions met - transferred to revenue	(2 167 495)	(2 215 000)
	<b>47 505</b>	-
The spending conditions in relation to the grant received was not fully met, therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 16).		
<b>GIS Grant - Alfred Nzo</b>		
Balance unspent at beginning of year	100 000	100 000
The spending conditions in relation to the grant received was not met fully, therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grant (see note 16).		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	6 126 580	-
Current-year receipts	48 362 000	59 416 000
Conditions met - transferred to revenue	(53 946 982)	(53 289 420)
	<b>541 598</b>	<b>6 126 580</b>
The spending in relation to the grant received was not fully met, therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants.		

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

	2020	2019
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### 24. Government grants and subsidies (continued)

#### Disaster Relief Grant

Current-year receipts	715 000	-
Conditions met - transferred to revenue	(709 526)	-
	<b>5 474</b>	<b>-</b>

The spending conditions in relation to the grant received was not met fully, therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants(see note 15).

#### Waste Management Grant

Balance unspent at beginning of year	11 610	11 610
Current-year receipts	3 286 000	-
Conditions met - transferred to revenue	(2 884 095)	-
	<b>413 515</b>	<b>11 610</b>

The spending conditions in relation to the grant received was not met fully, therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants(see note 16).

### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 05 of 2019), an average increase of about 4.41% in the level of government grant funding are expected over the forthcoming 3 financial years.

### 25. Investment revenue

#### Interest received

Bank	9 660 185	8 772 085
Interest charged on trade and other receivables	4 912 162	4 047 448
	<b>14 572 347</b>	<b>12 819 533</b>

During the month of March 2020, a national state of disaster was declared due to the outbreak of the Covid-19 pandemic which was then followed by a national lockdown. The lockdown placed the economies of the world on hold which resulted in people being unable to earn a living. This resulted in more and more people being unable to service their debts and with that came an increase in the interest generated from debtors.

The Covid-19 global pandemic lead to interest rate cuts which affected the level of return on invested funds. Even though the impact of this was not material compared to the projected returns, the municipality will continue to assess the impact as more data becomes available.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

	2020	2019
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### 26. Other income

Commissions received	130 093	114 067
Losses recovered	8 152	284 365
Other income - (rollup)	599 258	963 291
	<b>737 503</b>	<b>1 361 723</b>

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

Tender fees	196 435	229 819
Sundry income	221 278	357 001
Building plans	95 301	289 293
Advertising	81 208	76 614
Funeral fees	5 030	10 564
Photocopy	6	-
	<b>599 258</b>	<b>963 291</b>

### 27. Rental of facilities and equipment

#### Facilities and equipment

Leasehold fees	5 020 091	2 139 541
Hall hire	76 565	84 022
	<b>5 096 656</b>	<b>2 223 563</b>

Included in the above rentals are operating lease rentals at straight-lined amounts of R 4 983 849 (2019: R 2 139 541).

### 28. Agency services

Driver's Licenses	1 020 949	1 270 965
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During the month of March 2020, a national state of disaster was declared due to the global outbreak of Covid-19 which resulted in the law enforcement resources allocated to enforcing lockdown regulations. The lockdown enforced by government resulted in registration of motor vehicles cancelled as movement of people was restricted and the services not regarded as essential. This resulted in the municipality not generating any revenue from the stream for the last three months of the financial year.

### 29. Licences and permits (non-exchange)

Trading	1 331	1 913
Road and Transport	2 235 620	2 254 677
	<b>2 236 951</b>	<b>2 256 590</b>

During the month of March 2020, a national state of disaster was declared due to the global outbreak of Covid-19 which resulted in the law enforcement resources allocated to enforcing lockdown regulations. The lockdown enforced by government resulted in registration of motor vehicles cancelled as movement of people was restricted and the services not regarded as essential. This resulted in the municipality not generating any revenue from the stream for the last three months of the financial year.

### 30. Fines, Penalties and Forfeits

Illegal Connections Fines	47 391	155 866
Pound Fees Fines	16 711	78 218
Municipal Traffic Fines	2 001 413	803 800
	<b>2 065 515</b>	<b>1 037 884</b>

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>30. Fines, Penalties and Forfeits (continued)</b>		
During the month of March 2020, a national state of disaster was declared due to the global outbreak of Covid-19 which resulted in the law enforcement resources allocated to enforcing lockdown regulations. This resulted in the last three months of the financial year not generating any income from traffic and other fines during the period.		
<b>31. Lease rentals on operating lease</b>		
<b>Equipment</b>		
Contractual amounts	5 464 801	3 381 422
<b>32. General expenses</b>		
Advertising	505 585	1 085 265
Auditors remuneration	3 566 563	4 050 906
Bank charges	141 477	139 711
Commission paid	561 663	434 727
Consumables	5 934 312	3 638 939
Fines and penalties	9 156	-
Promotional material and Gifts	2 078 541	3 239 546
Hire	2 678 583	3 351 826
Insurance	701 998	799 076
IT expenses	2 914 731	2 095 450
Magazines, books and periodicals	625 549	680 835
Motor vehicle expenses	46 870	59 372
Fuel and oil	2 006 458	1 161 500
Placement fees	-	8 500
Postage and courier	734	855
Printing and stationery	221 200	449 726
Protective clothing	1 748 344	1 347 993
Subscriptions and membership fees	49 620	109 308
Telephone and fax	3 564 258	4 592 556
Transport and freight	-	201 000
Training	1 324 777	1 374 363
Travel - local	7 594 718	13 832 441
Travel - overseas	25 038	209 311
Water and electricity	2 391	36 618
Free basic services	3 873 420	3 426 617
License fees	272 910	239 170
Ward committee fees	6 076 450	5 155 278
Other expenses	3 495 338	2 951 320
	<b>50 020 684</b>	<b>54 672 209</b>
<b>33. Loss on disposal of assets and liabilities</b>		
Property, plant and equipment	55 215 766	7 462 689

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>34. Employee related costs</b>		
Basic	67 271 202	66 121 141
Bonus	4 647 789	4 632 761
Medical aid - company contributions	4 368 149	4 427 135
UIF	488 109	442 484
SDL	851 329	997 014
Provision for leave	2 229 060	8 304 515
Cellphone allowance	612 355	398 922
Pension fund contribution	8 135 634	6 526 768
Bargaining council contribution	26 872	24 318
Travel motor allowances	5 958 495	7 296 465
Long-service awards	251 144	638 089
Housing benefits and allowances	3 232 030	3 328 017
Other allowances	1 351 317	1 446 870
Overtime	2 487 753	1 833 458
Employee wellness	952 131	837 062
	<b>102 863 369</b>	<b>107 255 019</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	973 100	850 690
Car Allowance	370 338	349 375
Other	135 106	192 323
	<b>1 478 544</b>	<b>1 392 388</b>
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	724 745	683 621
Car Allowance	286 979	270 735
Other	199 158	198 960
	<b>1 210 882</b>	<b>1 153 316</b>
<b>Remuneration of Senior Manager: Corporate Services</b>		
Annual Remuneration	821 313	683 621
Car Allowance	205 971	194 312
Other	179 300	225 560
	<b>1 206 584</b>	<b>1 103 493</b>
<b>Remuneration of Senior Manager: Community Services</b>		
Annual Remuneration	820 280	683 621
Car Allowance	205 971	194 312
Other	178 408	205 228
	<b>1 204 659</b>	<b>1 083 161</b>
<b>Remuneration of Senior Manager: Engineering Services</b>		
Annual Remuneration	743 784	444 472
Car Allowance	242 177	161 832
Other	183 417	142 120
	<b>1 169 378</b>	<b>748 424</b>
<b>Remuneration of Senior Manager: Planning and Development Services</b>		
Annual Remuneration	825 136	683 621
Car Allowance	205 971	194 312
Other	179 300	262 247
	<b>1 210 407</b>	<b>1 140 180</b>



# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

	2020	2019
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### 35. Remuneration of councillors

Car Allowance	5 308 512	5 120 634
Cellphone Allowance	2 735 960	2 739 688
Annual remuneration	14 863 831	14 339 044
Public Office Allowance	1 061 702	1 024 126
	<b>23 970 005</b>	<b>23 223 492</b>

### 36. Debt impairment

Movement-provision for bad debts	8 020 877	4 266 040
Bad debts written off	548 937	-
	<b>8 569 814</b>	<b>4 266 040</b>

The bad debt written off relates to an amount relating to a electrification grant amount that was paid by the municipality on behalf of the Office of the Premier that was never refunded and prospects of recoverability are nil considering the change of administration from that office.

During the month of March 2020 a state of national disaster was declared due to the outbreak of the Covid-19 global pandemic which was then followed by the enforcement of the national lockdown. The lockdown had a negative impact on the people's affordability to pay for municipal levies and services as they were unable to earn an income.

This has resulted in the municipality's assessment indicating that more debt may not be collectible resulting in a increase in the impairment provision for the period as indicated above.

### 37. Depreciation and amortisation

Property, plant and equipment	39 306 614	39 060 436
Intangible assets	130 538	445 205
	<b>39 437 152</b>	<b>39 505 641</b>

### 38. Finance costs

Other interest paid	11 283	65 518
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### 39. Auditors' remuneration

Fees	3 566 563	4 050 906
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During the month of March 2020, a national state of disaster was declared as a result of the outbreak of the Covid-19 global pandemic. A national lockdown was enforced which limited movement of people and stopping most services from being performed with the exception of those that were designated as essential services.

During this time the office of the auditor general was still busy with planning which could not be concluded. The abandonment of this exercise resulted in the municipality paying less for audit fees than it would have had to pay.

The overall impact of this was a decrease in the auditor's remuneration as indicated above compared to the previous period.

### 40. Transfers and subsidies

#### Other subsidies

SMME Support	1 418 323	702 066
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The municipality through its LED section supports qualifying small businesses and farmers with necessary equipment and tools to make their operations sustainable. The projects are selected through council processes and supported as per the required assistance which is only in the forms of tools and equipment.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand			2020	2019
<b>40. Transfers and subsidies (continued)</b>				
The municipality does not offer financial support.				
<b>41. Bulk purchases</b>				
Electricity - Eskom			33 254 837	30 025 433
<b>Electricity losses</b>				
	Number	Number		
	2020	2019		
Units purchased	22 885 366	24 561 048	33 174 759	29 943 492
Units sold	(21 665 180)	(23 242 830)	(33 385 608)	(33 661 362)
<b>Total loss</b>	<b>1 220 186</b>	<b>1 318 218</b>	<b>(210 849)</b>	<b>(3 717 870)</b>
Comprising of:				
Non-technical losses	1 220 186	1 318 218	2 022 417	1 602 674
Percentage Loss:				
Non-technical losses	5 %	5 %	6 %	5 %
<b>42. Cash generated from operations</b>				
Surplus			72 114 997	93 701 753
<b>Adjustments for:</b>				
Depreciation and amortisation			39 437 152	39 505 641
Gain or loss on sale of assets and liabilities			55 215 766	7 462 689
Fair value adjustments			(9 103 900)	(19 023 579)
Impairment deficit			-	2 384 829
Debt impairment			8 569 814	4 266 040
Movements in operating lease assets and accruals			(2 801 190)	(755 842)
Movements in provisions			3 057 734	8 149 409
Transfers and non-cash disposals			(5 726 411)	-
Other non-cash movements			-	(6 194 138)
Movement in accumulated surplus			-	36 802
<b>Changes in working capital:</b>				
Inventories			(771 264)	(822 121)
Other receivables from exchange transactions			(4 149 303)	487 341
Consumer debtors			(14 780 624)	(5 839 951)
Receivables from non-exchange transactions			950 009	901 087
Statutory receivables			(11 233 688)	3 944 240
Prepayments			4 956 663	(4 793 029)
Payables from exchange transactions			4 009 521	(13 471 302)
VAT			(4 970 644)	5 123 474
Taxes and transfers payable (non-exchange)			-	(56 200)
Unspent conditional grants and receipts			1 429 601	6 574 580
Consumer deposits			(26 343)	(80 325)
			<b>136 177 890</b>	<b>121 501 398</b>

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>43. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Infrastructure Assets	4 871 904	3 960 203
• Intergrated Electrification	3 309 205	9 713 510
• Community Assets	74 938 307	96 517 158
• Other Commitments	25 740 011	19 733 809
	<b>108 859 427</b>	<b>129 924 680</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	108 859 427	129 924 680
<b>Authorised operational expenditure</b>		
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	108 859 427	129 924 680
<p>This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.</p>		
<b>Operating leases - as lessee (expense)</b>		
<b>Aloe Office Minimum lease payments due</b>		
- within one year	710 311	710 311
- in second to fifth year inclusive	-	710 311
	<b>710 311</b>	<b>1 420 622</b>
<b>Operating leases - as lessor (income)</b>		
<p>The municipality is leasing out certain property to Collins Property Investments. The lease agreement has a term of 20 years and rentals escalate by 8% every annum. No contingent rents are receivable.</p>		
<b>Minimum lease payments receivable</b>		
within one year	170 470	396 501
in second to fifth year inclusive	-	170 470
	<b>170 470</b>	<b>566 971</b>
<p>The municipality is leasing out certain property to Blue Raindrops Trading CC. The lease agreement has a term of 1 years and rentals escalate by 8% at each anniversary date. No contingent rents are receivable.</p>		
<b>Minimum lease payment receivable</b>		
within one year	30 426	43 235
in second to fifth year inclusive	-	30 426
	<b>30 426</b>	<b>73 661</b>
<p>The municipality is leasing out certain property to Africa Best 350. The lease agreement has a term of 6 years and rentals escalate by prime lending rate at each anniversary date. No contingent rents are receivable.</p>		
<b>Minimum lease payments receivable</b>		
within one year	153 128	-
in second to fifth year inclusive	374 128	-

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>43. Commitments (continued)</b>		
	<b>527 256</b>	-
<p>The municipality is leasing out certain property to Slip Knot Investments 11 (Proprietary) Limited. The lease agreement has a term of 26 years and rentals escalate by 7% at each anniversary date. No contingent rents are receivable.</p>		
<b>Minimum lease payments receivable</b>		
within one year	1 970 940	437 324
in second to fifth year inclusive	12 127 778	388 413
	<b>14 098 718</b>	<b>825 737</b>
<b>44. Contingencies</b>		
<b>Contingent liabilities</b>		
<p>At year end the municipality had the following contingent liabilities</p>		
<p>Cases against the municipality;</p>		
<b>Case 1 Vuyokazi Tobo vs Mbizana Local Municipality</b>		
Claim for payments of R2 500 000 iro damages for injuries allegedly caused as a result of being shot by an employee.	1 000 000	2 500 000
<b>Case 2 Hlongwe vs Mbizana Local Municipality</b>		
Claim for payment of R19 637 500 iro damages for injuries allegedly caused as a result of being by a municipal employee.	5 000 000	19 637 500
<b>Case 3 Thunzi &amp; Modikeng JV vs Mbizana Local Municipality</b>		
Proceedings instituted to alleged non-payment of invoices by them to the municipality	3 659 708	3 569 707
<b>Case 4 CN Ntshebe NO vs Mbizana Local Municipality</b>		
Application to set aside rezoning of ERF 126 Mbizana by removing the restriction of the use to the Residential purpose'	-	2 000 000
<b>Notozana Dingezweni vs Mbizana Local Municipality</b>		
Interdict in respect of demolishing of shacks and removal of caravans by the municipality	150 000	-
<b>Mohamed Randreen vs Mbizana Local Municipality</b>		
Claim of electricity costs after meter tempering/incorrect billing by Municipal officials. The matter is ripe for hearing but due to Covid only urgent matters are considered at this stage.	100 000	-
	<b>9 909 708</b>	<b>27 707 207</b>
<b>Contingent assets</b>		
<p>At year end the municipality had the following contingent assets</p>		
<p>Cases lodged by the municipality;</p>		
<b>Case 1 Gift Fynn VS Mbizana Local Municipality</b>		
This is an unlawful extension building without the approval of the plan by the municipality	400 000	400 000
<b>Case 2 Mbizana Local Municipality vs Mr Charles Charalombos t/a Bizana Cash and Carry</b>		
Unlawful extension of building without the approved of the plans	200 000	200 000
	<b>600 000</b>	<b>600 000</b>

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand 2020 2019

### 45. Related parties

Relationships	
Section 57 Managers	Refer to accounting officer's report note
Mayor	Ms TD Mafumbatha
Speaker	Mr. S Magini
Chief Whip	Mr. M Mpetshwa
Executive Council members	9 members
Ordinary Council members	49 Councillors

### Related party balances

#### Loan accounts - Owing (to) by related parties

Councillor overpayment	449 136	711 081
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In 2012/13 and 2013/14 financial years, councillors were paid a remuneration that was above the gazetted limits.

The amounts were recorded as irregular expenditure and debtors were raised to account for the amounts owed.

### Compensation to Accounting Officer and key management

Municipal Manager	1 478 544	1 392 388
Chief Financial Officer	1 210 882	1 153 316
Senior Manager: Corporate Services	1 206 584	1 103 493
Senior Manager: Community Services	1 204 659	1 083 161
Senior Manager: Engineering Services	1 169 378	748 424
Senior Manager: Development Planning	1 210 407	1 140 180
Mayor	938 250	903 872
Speaker	759 478	731 976
Councillors	22 272 277	21 587 644

The Mayor, Speaker and Chief Whip are full time. Each is provided with an office and secretarial support at the cost of the council.

The Mayor and Speaker have the use of council owned vehicles for official duties

The Mayor has one full-time bodyguard and driver.

The speaker has one full-time bodyguard and driver.

### Key management information

Class	Description	Number
Municipal Manager	Accounting Officer	1
Chief Financial Officer	Senior Manager	1
Senior Manager: Corporate Services	Senior Manager	1
Senior Manager: Community Services	Senior Manager	1
Senior Manager: Engineering Services	Senior Manager	1
Senior Manager: Development Planning	Senior Manager	1
Mayor	Councillor	1
Speaker	Councillor	1
Chief Whip	Councillor	1
Executive committee	Councillors	9
Councillors	Councillors	49

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 45. Related parties (continued)

#### Remuneration of management

#### Management class: Councillors

#### 2020

	Basic salary	Travel / Car allowance	Cellphone allowance	Public office allowance	Total
<b>Councillors</b>					
Mayor	625 695	223 463	44 400	44 692	938 250
Speaker	500 555	178 770	44 400	35 753	759 478
MPAC Chairperson	455 505	162 680	44 400	32 536	695 121
Executive committee members	3 186 041	1 137 872	399 600	227 575	4 951 088
Councillors	10 096 035	3 605 727	2 203 160	721 146	16 626 068
	<b>14 863 831</b>	<b>5 308 512</b>	<b>2 735 960</b>	<b>1 061 702</b>	<b>23 970 005</b>

#### 2019

	Basic salary	Travel / Car allowance	Cellphone allowance	Public office allowance	Total
<b>Name</b>					
Mayor	601 630	214 868	44 400	42 974	903 872
Speaker	481 303	171 894	44 400	34 379	731 976
MPAC Chairperson	437 985	156 423	43 500	31 285	669 193
Executive committee members	3 514 724	1 255 259	444 000	251 051	5 465 034
Councillors	9 303 402	3 322 190	2 163 388	664 437	15 453 417
	<b>14 339 044</b>	<b>5 120 634</b>	<b>2 739 688</b>	<b>1 024 126</b>	<b>23 223 492</b>

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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### 45. Related parties (continued)

#### Management class: Executive management

##### 2020

	Basic salary	Travel / Car allowance	Other benefits received	Total
<b>Senior Management</b>				
Municipal Manager	973 100	370 338	135 106	1 478 544
Chief financial officer	724 745	286 979	199 158	1 210 882
Senior manager: Corporate services	821 313	205 971	179 300	1 206 584
Senior manager: Engineering Services	743 784	242 177	183 417	1 169 378
Senior Manager: Community Services	820 280	205 971	178 408	1 204 659
Senior manager: Development planning	825 136	205 971	179 300	1 210 407
	<b>4 908 358</b>	<b>1 517 407</b>	<b>1 054 689</b>	<b>7 480 454</b>

##### 2019

	Fees for services as a member of management	Travel / Car allowance	Other benefits received	Total
<b>Senior Management</b>				
Municipal manager	850 690	349 375	192 323	1 392 388
Chief financial officer	683 621	270 735	198 960	1 153 316
Senior manager: Corporate services	683 621	194 312	225 560	1 103 493
Senior manager: Engineering services	444 472	161 832	142 120	748 424
Senior manager: Community Services	683 621	194 312	205 228	1 083 161
Senior manager: Development planning	683 621	194 312	262 247	1 140 180
	<b>4 029 646</b>	<b>1 364 878</b>	<b>1 226 438</b>	<b>6 620 962</b>

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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### 45. Related parties (continued)

#### Management class: Key advisors/Sub committees

##### 2020

	Fees for services as a member of the audit committee	Travel claims	Total
<b>Internal Audit Committee</b>			
Chairperson of the audit committee	73 841	3 678	77 519
Audit committee members	124 411	16 803	141 214
	<b>198 252</b>	<b>20 481</b>	<b>218 733</b>

##### 2019

	Fees for services as a member of the audit committee	Travel claims	Total
<b>Internal Audit Committee</b>			
Chairperson of the audit committee	78 400	3 280	81 680
Audit committee members	104 824	12 440	117 264
	<b>183 224</b>	<b>15 720</b>	<b>198 944</b>



# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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### 46. Prior Period Errors

The following adjustments were made to the prior year financial statements due to errors which became apparent in the current year and which pertain to the prior period financial statements.

#### Other receivables from exchange

During the year it was discovered that R239 274 for Accrued income was incorrectly classified as Receivables from exchange transaction, this was then reclassified to Other receivables from exchange transactions. The correction resulted in an increase of R239 274 on Other receivable from exchange transactions and a decrease on Receivables from exchange transactions

It was discovered that the Other receivables from exchange transactions were overstated by R449 923, an overpayment made to a Supplier. The municipality and the service provider made an agreement to settle the overpayment with the Retention amount that was due to the service provider. The settlement was never processed on the municipality's accounting records. The payables from exchange transaction were overstated by R449 923 and also other receivables from exchange transactions were overstated. The correction of this error resulted in a net decrease of R210 654 in Other Receivables from exchange transactions.

#### Receivables from Exchange Transactions

During the year it was discovered that R239 275 for Accrued Income was incorrectly classified as Receivables from exchange transaction, this was then reclassified to Other receivables from exchange transactions. The correction resulted in an increase of R239 275 on Other receivable from exchange and a decrease on Receivables from exchange transactions .

The municipality adopted and implemented GRAP 108 that became effective during the current reporting period. This resulted in receivables emanating from legislation or law being reclassified from receivables from exchange transactions to be disclosed separately as statutory receivables. The reclassified statutory receivables were electricity fines of R579 914.08 and impairment of R 256 337.76. This resulted in a decrease of R323 577 on receivables from exchange transactions.

These transactions resulted to net decrease of R562 852.

#### VAT Receivable

During the current year we discovered that there were accrual transaction that were not recorded on Accrual in prior but paid in the current year under Accruals. The VAT, General Expenses, Contracted services, Payables from exchange transaction were understated.

The correction of errors resulted in an increase to the VAT receivable of R 7 221.

#### Accumulated Surplus/Loss

During the preparation of financial statements various journals relating to accruals were processed in order to correct prior year figures as they related to expenditures incurred in the prior year.

The cumulative effect of all the changes that have occurred resulted in a net decrease in the accumulated surplus by R118 161.

#### Payables from exchange

# Mbizana Local Municipality

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During the current year we discovered that there were accrual transaction that were not recorded on Accrual in prior year but paid in the current year under Accruals. The VAT, General Expenses, Contracted services, Payables from exchange transaction were understated. The correction of the error resulted in an increase in Payables from exchange transactions of R125 382.

It was discovered that the Other receivables from exchange transactions were overstated by R449 923 an overpayment made to a Supplier. The municipality and the Service Provider made an agreement to settle the overpayment by the Retention amount due to the Service Provider. The settlement was never effected on the system. The Payables from exchange transaction were overstated by R449 923 and also the other receivables from exchange transactions were overstated.

It was discovered that Payroll creditors with positive balance were never reclassified to Receivables from non- exchange transactions. The Payroll creditors with positive balances were R241 118.

The correction of an error resulted to a net decrease of R83 428.42 Payables from exchange transactions.

### Contracted Services

During the current year we discovered that there were accrual transactions that were not recorded on Accrual in prior year but paid in the current year as Accruals due to them having been submitted after the annual financial statements have been completed. The VAT, General Expenses, Contracted services, Payables from exchange transaction were understated. The correction of the error resulted in an increase in Contracted services of R71 588.

### General Expenditure

During the current year we discovered that there were accrual transactions that were not recorded on Accrual in prior year but paid in the current year as Accruals due to them having been submitted after the annual financial statements were completed. The VAT, General Expenses, Contracted services, Payables from exchange transaction were understated. The correction of the error resulted in an increase in General expenses of R46 573

### Receivables from Non- Exchange Transactions

It was discovered that Payroll debtors with positive balance were never reclassified to Payroll debtors. The Payroll creditors with positive balances were R241 118. Receivables from non exchange transactions were understated by R241 118.

The municipality adopted and implemented GRAP 108 that became effective during the current reporting period. This resulted in receivables emanating from legislation or law being reclassified from receivables from non-exchange transactions to be disclosed separately as statutory receivables. This resulted in a decrease of R23 095 856 on receivables from non-exchange transactions.

The overall impact of the transactions mentioned above resulted in a decrease of R22 854 738 on receivables from non-exchange transaction

### Statutory receivables

The municipality adopted and implemented GRAP 108 that became effective during the current reporting period. This resulted in receivables emanating from legislation or law being reclassified from receivables from non-exchange transactions and receivables from exchange transactions to be disclosed separately as statutory receivables.

This relates to the following categories of receivables that were previously classified as receivables from non-exchange transactions:

- Property rates
- Fines

This resulted in an increase of R23 419 433 on Statutory receivables .

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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### 47. Prior-year adjustments

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

#### Statement of financial position

##### 2019

	Note	As previously reported	Correction of error	Re-classification	Restated
Other Receivables from exchange transactions	10	2 042 079	(449 929)	239 275	1 831 425
Receivables from exchange transactions	14	11 227 126	-	(562 852)	10 664 274
Receivables from non exchange transactions	11	24 677 835	-	(22 854 738)	1 823 097
Payables from exchange transactions	18	(25 762 708)	324 547	(241 118)	25 679 280
Vat Receivable	13	22 037 299	7 221	-	22 044 520
Accumulated Surplus		(824 525 333)	118 161	-	(824 407 171)
Statutory receivables	12	-	-	23 419 433	23 419 433
		<b>(790 303 702)</b>	<b>-</b>	<b>-</b>	<b>(738 945 142)</b>

#### Statement of financial performance

##### 2019

	Note	As previously reported	Correction of error	Restated
Contracted Services	36	49 076 945	71 588	49 148 530
General Expenditure	37	54 625 636	46 573	54 672 209
<b>Surplus for the year</b>		<b>103 702 581</b>	<b>118 161</b>	<b>103 820 739</b>

#### Cash flow statement

##### 2019

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and services		66 460 903	201 590	66 662 493
Suppliers		(154 902 775)	(201 590)	(155 104 361)
		<b>(88 441 872)</b>	<b>-</b>	<b>(88 441 868)</b>

### 48. Change in estimate

#### Property, plant and equipment

The full useful lives of certain property, plant and equipment was revised in the current year pertaining to movable assets with reductions and extensions to useful lives ranging between 3 - 13 years. The effect of this revision has decreased the depreciation charges for the current year by R962 645.(2018 1 205 086)

This resulted in an increase in the carrying amount of certain property, plant and equipment by R962 645.

The amount of the effect in future periods is not disclosed because estimating it is impracticable due to the quantity and the nature of the assets affected.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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### 48. Change in estimate (continued)

#### Intangible assets

The useful life of certain computer software was revised in the current year. In the current period management have revised their estimate from 5 to 7 years. The effect of this revision has decreased the depreciation for the current and future periods by R 130 538

### 49. Risk management

#### Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department (municipality treasury) under policies approved by the accounting officer. Municipality treasury identifies and evaluates financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas.

#### 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.

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

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

#### At 30 June 2020

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	29 688 801	-	-	-
Consumer deposits	173 671	25 269	6 954	296 997
	<b>29 862 472</b>	<b>25 269</b>	<b>6 954</b>	<b>296 997</b>

#### At 30 June 2019

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	25 679 280	-	-	-
Consumer deposits	70 419	18 315	6 954	433 546
	<b>25 749 699</b>	<b>18 315</b>	<b>6 954</b>	<b>433 546</b>

Liquidity risk is mainly concentrated on the trade and other payables balance. The municipality does not have any collateral and/or credit enhancements that aid in the mitigation of the liquidity risk.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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### 49. Risk management (continued)

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The financial assets carried at amortized cost expose the municipality to credit risk. The value of the maximum exposure to credit risk are as follows for each class of financial assets at amortized cost

	2020	2019
<b>Financial instrument</b>		
Cash and Cash equivalents	173 644 306	123 462 641
Other receivables from exchange transactions	5 980 728	1 831 425
Receivables from non-exchange transactions	873 088	1 823 097
Receivables from exchange transactions	16 875 084	10 664 274

### 50. Unauthorised expenditure

Opening balance as previously reported	-	191 647 490
<b>Opening balance as restated</b>	-	<b>191 647 490</b>
Less: Approved/authorised by council	-	(191 647 490)
<b>Closing balance</b>	-	-

There was no unauthorised expenditure incurred during the year.

### 51. Fruitless and wasteful expenditure

Opening balance as previously reported	4 224 066	4 224 066
<b>Opening balance as restated</b>	<b>4 224 066</b>	<b>4 224 066</b>
Add: Expenditure identified - current	399 237	65 519
Less: Amount written off - prior period	-	(65 519)
<b>Closing balance</b>	<b>4 623 303</b>	<b>4 224 066</b>

The opening balance of fruitless expenditure disclosed has been identified to be expenditure incurred in 2011/12 and 2013/14 that was not presented to council and has since been presented to the Audit committee. The balance is now awaiting a decision by council.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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### 51. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	<b>Disciplinary steps taken/criminal proceedings</b>		
Interest on Telkom accounts	Amounts under investigation	-	52 515
Interest on Eskom FBE account	Amounts under investigation	4 197	355
Eskom Holding new account	Amounts under investigation	-	510
Penalties for late submissions -SARS	Amounts under investigation	9 938	12 113
Interest on overdue account-Department of Transport	Amounts under investigation	6 304	26
Non-compliance with cost containment regulations	Amounts under investigation	302 500	-
Covid-19 JOC catering	Amounts under investigation	76 298	-
		<b>399 237</b>	<b>65 519</b>

### 52. Irregular expenditure

Opening balance as previously reported		23 238 340	13 063 703
Correction of prior period error		(106 750)	-
<b>Opening balance as restated</b>		<b>23 131 590</b>	<b>13 063 703</b>
Add: Irregular Expenditure - current		4 925 982	10 174 637
Less: Amount written off - current		(26 996 952)	-
<b>Closing balance</b>		<b>1 060 620</b>	<b>23 238 340</b>

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

	<b>Disciplinary steps taken/criminal proceedings</b>		
No procurement system followed	Vodacom - investigation completed and amount written off	3 224 339	3 775 146
Company with no required CIDB level	ODG Technologies, Banana Boat, Thabo Ntlangula	1 068 465	6 399 491
NO CIDB required during procurement	Banana Boat - investigations completed and amount written off	427 000	-
Bid documents not fully completed	Thabo Ntlangula - investigations completed and amount written off	120 428	-
Split procurement	Sthwale Trading and Project, Timeless PTY, Magholo	85 750	-
		<b>4 925 982</b>	<b>10 174 637</b>

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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### 52. Irregular expenditure (continued)

#### Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 26 996 952 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

The opening balance of irregular expenditure disclosed has been identified to be expenditure incurred in 2010/11 and 2011/12 that was not presented to council and has since been presented to the Audit committee. The balance is now awaiting a decision by council

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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<b>53. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Opening balance	191	191
Current year subscription / fee	1 107 611	683 690
Amount paid - current year	(1 107 611)	(683 690)
	<b>191</b>	<b>191</b>
<b>Audit fees</b>		
Opening balance	-	11 317
Current year subscription / fee	3 566 563	4 039 589
Amount paid - current year	(3 566 563)	(4 050 906)
	-	-
<b>PAYE and UIF</b>		
Opening balance	2 994	2 994
Current year subscription / fee	19 459 460	17 715 254
Amount paid - current year	(19 459 460)	(17 715 254)
	<b>2 994</b>	<b>2 994</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	(43 308)	(43 308)
Current year subscription / fee	12 039 090	10 752 236
Amount paid - current year	(12 039 090)	(10 752 236)
	<b>(43 308)</b>	<b>(43 308)</b>
<b>Skills Development Levy</b>		
Opening balance	(90)	(90)
Current year fees	957 612	997 013
Amount paid-current year	(957 612)	(997 013)
	<b>(90)</b>	<b>(90)</b>
<b>VAT</b>		
VAT receivable	27 015 164	22 044 520

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

### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr NN Mhlembana	785	11 430	12 215

### Supply chain management regulations



# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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

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

#### Incident

Tents hire for Covid-19 roadblocks	56 900	-
Catering for local JOC	54 600	-
Procurement of rubber bullets for crowd control	30 000	-
Procurement of Covid-19 PPE	415 000	-
Disinfecting of municipal offices	329 900	-
Procurement of Covid-19 work readiness equipment	294 940	-
Emergency hiring of Toilets for officials	100 000	-
National Radio Station was used as one of the platform for Public Participation during Budget Roadshows	117 860	-
	<b>1 399 200</b>	<b>-</b>

### 54. Deviation from supply chain management regulations

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

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

Mbizana LM have incurred expenditure by not following the Supply Chain Management policy during the arising of the COVID\_19 Pandemic. The were no three quotes obtained as per the SCM policy for catering for JOCS meetings, hiring of tents for the Road blocks. No competitive bidding for employee PPE's, disinfection of premises and work readiness equipment. These procurement resulted to Deviations totalling to R1 399 200.

### 55. Events after the reporting date

During the month of August 2020 a municipal vehicle with the registration number HLN 065 EC was involved in an accident which the damaged has not been assessed to determine the extent of the damage. The closing net book value of the vehicle as at 30 June 2020 was R264 587.

On 5 August 2020, the minister of finance through a government gazette No. 43582 exempted municipalities and municipal entities from submitting annual financial statements and annual reports to the office of the auditor general on or before 31 August 2020 by a futher two months. This exemption extended the submission deadline to 30 October 2020.

### 56. Fair value adjustments

Investment property (Fair value model)	9 103 900	19 023 579
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### 57. Other income

Tender fees	196 436	229 819
Photocopy	6	-
Sundry income	221 278	357 001
Advertising income	81 207	76 614
Building plans	95 301	289 293
Funeral fees	5 030	10 564
	<b>599 258</b>	<b>963 291</b>

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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### 58. Impairment of assets

#### Impairments

Property, plant and equipment	-	2 384 829
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In 2018/2019 there were heavy rains experienced that resulted in infrastructure assets and building damaged, therefore causing an impairment in their value.

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The main classes of assets affected by impairment losses are:

Infrastructure Assets

Building

The main events and circumstances that led to the recognition of these impairment losses are as follows:

Heavy rains

#### Material impairment losses recognised

##### Property, plant and equipment

Impairment loss recognised	Reportable segment	
Property plant and equipment	Infrastructure	- 2 236 242
Property, plant and equipment	Buildings	- 148 586

# Mbizana Local Municipality

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<b>59. Contracted services</b>		
<b>Presented previously</b>		
Other Contractors	1 183 237	1 134 264
<b>Outsourced Services</b>		
Business and Advisory	6 671 301	6 864 180
Catering Services	138 110	171 730
Cleaning Services	-	186 000
Clearing and Grass Cutting Services	5 850	28 488
Internal Auditors	195 500	259 250
Illegal Dumping	-	192 140
Meter Management	531 406	-
Personnel and Labour	1 529 693	280 700
Refuse Removal	488 663	272 700
Transport Services	333 370	528 235
<b>Consultants and Professional Services</b>		
Legal Cost	5 537 716	5 798 050
<b>Contractors</b>		
Catering Services	2 506 753	4 574 086
Electrical	807 096	13 458 566
Employee Wellness	197 550	-
Event Promoters	741 769	1 291 687
Maintenance of Buildings and Facilities	3 983 318	1 690 422
Maintenance of Equipment	3 590 965	3 055 190
Maintenance of Unspecified Assets	7 782 635	3 820 424
Pest Control and Fumigation	86 900	-
Plants, Flowers and Other Decorations	-	19 800
Safeguard and Security	6 223 700	5 465 038
Stage and Sound Crew	48 500	57 580
	<b>42 584 032</b>	<b>49 148 530</b>

### 60. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus (deficit) of R 896 522 177 and that the municipality's total assets exceed its total liabilities by R 896 522 177.

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 going concern assumption is assessed based on information available up to the date on which the annual financial statements are approved by the accounting officer. While there is widespread uncertainty regarding the extent of the financial impact on the Covid-19 global pandemic, the National government through the Division of revenue Act has committed to fund the municipality for at least the next three years to finance its operations and continue investing in capital projects.

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

### 61. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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### 61. Accounting by principals and agents (continued)

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

The Municipality has been registered as a registering authority in accordance with section 3(1) of the Road Traffic Act, 1996 (Act No. 93 of 1996), subject to the conditions imposed by the Member of the Executive Council (MEC) responsible for Transport. As such the Municipality performs the functions of a registering authority as contemplated by section 3(1) of the Road Traffic Act, read with the National Road Traffic Regulations.

The revenue that is derived from the registration and licensing of motor vehicles is paid into the Provincial Revenue Fund as required by section 41 of the Eastern Cape Road Traffic Act, 1998 (Act No.3 of 1999), while the Municipality, in order to perform its functions as a registering authority, and in the spirit of co-operative governance as enshrined in Chapter 3 of the Constitution, is entitled to receive a portion of the revenue so generated, subject to the terms and conditions as set out in the Agreement, with particular reference to clause 6 of the Agreement.

Municipality is entitled to a fee equal to the collection fee of 19% (nineteen percent), including VAT for all fees collected in terms of clause 6.2 for motor vehicle registration and licensing fees.

Municipality shall, in terms of applicable national and provincial road traffic legislation and the Agreement, be responsible for the following motor vehicle registration and licensing functions: registration of vehicles, vehicle search, issue of duplicate registration certificate, deregistration of a motor vehicle, change of particulars of an owner or a titleholder with respect to registration and licensing, change of particulars of a motor vehicle, issue of a temporary or special permit; licensing of a vehicle in a private person's or legally recognised entity's name; licensing of a financed vehicle, in a private person's or legally recognised entity's name; licensing and allocating of a personalised licence number; retention of a vehicle licence number; notification of change of titleholder and or ownership of a vehicle; processing address changes as required; application for refund, if due, to be issued by the Department of Transport, Head office in King William's Town Eastern Cape Province; application for special classification of a vehicle; application for Traffic Register Number; application for Motor Trade Number; referral of all motor vehicle registration and licensing queries, complaints and disputes to the Departmental employee specified by the Transport Regulation contact person within 2 (two) working days of a query or lodging of a complaint or dispute; and any other transaction reasonably requested by the Department

#### Entity as agent

#### Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The municipality has resources held on behalf of the principal(s) that are not recognised in municipality's financial statements, but are recognised in the principal financial statements.

#### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R1 020 949 (2019: R1 270 965).

#### Liabilities and corresponding rights of reimbursement recognised as assets

The municipality does not have liabilities incurred on behalf of the principal that have been recognised by the municipality.

The municipality does not have corresponding rights of reimbursement that have been recognised as assets.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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### 62. Budget differences

#### Material differences between budget and actual amounts

##### Rental of facilities and equipment

The excess actual revenue more than budget is due to increase in lease rentals as a result of new lease agreements that were signed in the current financial year.

##### Agency fees

The country has been placed on lockdown since the outbreak of the Covid-19 pandemic which resulted in the municipality's testing station closed from March 2020 to July 2020, during which period no income could be generated.

##### Recoveries

The municipality did not budget for recoveries because these are monies received from the insurance when there's an asset loss/stolen.

##### Other Income

The country has been hit by the Covid-19 pandemic which resulted on services being delayed. The municipality was partially operating due to lockdown regulations and some services were not rendered. The tender fees, building plans and funeral fees could not be collected as per targeted budget.

##### Property Rates

The municipality had implemented a new Valuation Roll which was effective in July 2019 after the budget processes were finalised on 30 May 2019. The municipality also bills for government properties in the rural areas. Most of these properties have not been surveyed

##### Fines, Penalties and Forfeits

The revenue for fines was adjusted down during the second adjustment budget based on the assessment of actual performance for fines billed in previous months. However, it was later discovered that more traffic fines were actually issued but not raised prior to the assessment and were only submitted at year end for recording

##### Personnel

The budget for personnel excludes casual labour and skills levy which are included on the general expenses however the actual expenditure for personnel includes skills levy and casual labour hence the over expenditure when comparing with the budget.

##### Depreciation

The depreciation budgeted for was based on old and new assets that were going to be procured and constructed. Most of the construction assets were not completed during year due to delays and impact of lockdown regulations, which resulted to underspending on depreciation.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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### 62. Budget differences (continued)

#### Debt Impairment

The excess of actual expenditure more than the budget is as the result of the increase in consumer debtors. During the month of March 2020 a state of national disaster was declared due to the outbreak of the Covid-19 global pandemic which was then followed by the enforcement of the national lockdown. The lockdown had a negative impact on the people's affordability to pay for municipal levies and services as they were unable to earn an income. This has resulted in the municipality's assessment indicating that more debt may not be collectible resulting in an increase in the impairment provision for the period as indicated above.

#### Contracted services

Savings as a result of lockdown, decrease in procurements during lockdown and implementation of cost containment measures.

#### Transfers and subsidies

Savings as the result of procurement delays. Municipality could not appoint suitable services provider required on time due to limited availability of officials to facilitate the implementation of projects. This includes non-availability of members to sit in bid committees due to lockdown regulations and non-responsive bidders on advertised bids.

#### Loss on disposal

The variance on loss on disposal is as the result that municipality budgeted for certain Electrification project that will be supposed to be completed in 2019/20 but were delayed due to late appointment of service provider and lockdown regulations.

#### General expenses

Savings as a result of lockdown, decrease in procurements during lockdown and implementation of cost containment measures.

#### Inventories

The excess actual performance compared to the budget is due to late procurement as a result of relaxed lockdown regulations in the month of June, which resulted in an increase in inventory on hand at year end.

#### Receivables from exchange transactions

The budget for operating lease, VAT, prepayment and other receivables from exchange is included on receivables from exchange transactions. The excess actual performance compared to the budget is as the result of increase in lease rentals, accrued income not received from service provider due to delay on submission and processing of invoices. Increase in VAT receivable due to delays in SARS payments as a result of SARS audits. Receivables from exchange transactions increased due to lockdown regulations which the municipality was unable to fully implement its credit control and debt collection measures based on National directives pleading to government institutions not to implement these measures during the pandemic period.

#### Receivables from non-exchange transactions

The excess actual performance compared to the budget on Receivables from non-exchange transactions increased is due to lockdown regulations which the municipality was unable to fully implement its credit control and debt collection measures based on National directives pleading to government institutions not to implement these measures during the pandemic period.

#### Cash and cash equivalent

The actual cash on hand as at 30 June was due to savings realised on capital expenditure due to the delays caused by the national lockdown regulation due to level 5 and level 4 where there was no work being performed, reduced spending on general expenditure may be attributable to the implementation of the cost containment regulations and Covid-19 related delays in the implementation of programs.

#### Investment property

The increase in investment property is due to fair value adjustment performed by the independent valuer at year end.

# Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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### 62. Budget differences (continued)

Property, plant and equipment

The excess actual performance compared to the budget is as the result of roads projects that were maintained as contracted services but were transferred to capital additions due to the work resulting in the refurbishment of those roads. Also the depreciation that was budgeted for and never incurred as the result of projects not completed as was anticipated.

Unspent conditional grants and receipts

The municipality does not budget for unspent grants as these are meant to be fully spent by the end of the year. However, this financial year we had unexpected pandemic which resulted in delays in projects implementation resulting in slow spending on Conditional grants.

**Mbizana Local Municipality**  
**Mbizana Local Municipality**  
**Appendix B**

June 2020

**Analysis of property, plant and equipment as at 30 June 2020**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	3 552 990	-	-	-	-	-	3 552 990	-	-	-	-	-	-	3 552 990
Landfill Sites (Separate for AFS purposes)	3 242 860	-	-	-	-	-	3 242 860	(794 672)	-	-	(167 261)	-	(961 933)	2 280 927
Buildings (Separate for AFS purposes)	31 725 113	1 289 438	-	-	-	-	33 014 551	(5 284 570)	-	-	(727 064)	(148 587)	(6 160 221)	26 854 330
	<b>38 520 963</b>	<b>1 289 438</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39 810 401</b>	<b>(6 079 242)</b>	<b>-</b>	<b>-</b>	<b>(894 325)</b>	<b>(148 587)</b>	<b>(7 122 154)</b>	<b>32 688 247</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	560 802 161	14 633 053	(9 188 624)	28 145 629	-	-	594 392 219	(198 143 207)	7 660 528	-	(28 821 380)	(2 236 242)	(221 540 301)	372 851 918
Transmission & Reticulation	15 907 443	-	-	-	-	-	15 907 443	(3 043 430)	-	-	(544 661)	-	(3 588 091)	12 319 352
Under Construction	92 073 118	36 913 964	(48 404 653)	(28 145 621)	-	-	52 436 808	-	-	-	-	-	-	52 436 808
	<b>668 782 722</b>	<b>51 547 017</b>	<b>(57 593 277)</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>662 736 470</b>	<b>(201 186 637)</b>	<b>7 660 528</b>	<b>-</b>	<b>(29 366 041)</b>	<b>(2 236 242)</b>	<b>(225 128 392)</b>	<b>437 608 078</b>
<b>Community Assets</b>														
Parks & gardens	68 515 575	-	(29 861)	-	-	-	68 485 714	(12 005 333)	29 861	-	(1 642 800)	-	(13 618 272)	54 867 442
Community halls	14 621 888	-	-	-	-	-	14 621 888	(456 218)	-	-	(293 235)	-	(749 453)	13 872 435
Creches	11 198 833	-	-	-	-	-	11 198 833	(136 120)	-	-	(297 220)	-	(433 340)	10 765 493
Under Construction	37 650 181	25 944 728	-	-	-	-	63 594 909	-	-	-	-	-	-	63 594 909
	<b>131 986 477</b>	<b>25 944 728</b>	<b>(29 861)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>157 901 344</b>	<b>(12 597 671)</b>	<b>29 861</b>	<b>-</b>	<b>(2 233 255)</b>	<b>-</b>	<b>(14 801 065)</b>	<b>143 100 279</b>



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June 2020

**Analysis of property, plant and equipment as at 30 June 2020**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Historical monuments	1 230 799	-	-	-	-	-	<b>1 230 799</b>	-	-	-	-	-	-	1 230 799
	<b>1 230 799</b>	-	-	-	-	-	<b>1 230 799</b>	-	-	-	-	-	-	<b>1 230 799</b>
<b>Specialised vehicles</b>														
<b>Other assets</b>														
General vehicles	14 317 040	1 613 953	(1 498 729)	-	-	-	<b>14 432 264</b>	(3 932 259)	435 151	-	(1 388 640)	-	<b>(4 885 748)</b>	9 546 516
Plant & equipment	20 658 290	2 625 275	-	-	-	-	<b>23 283 565</b>	(7 255 568)	-	-	(2 628 913)	-	<b>(9 884 481)</b>	13 399 084
Computer Equipment	6 154 695	-	(38 102)	-	-	-	<b>6 116 593</b>	(2 842 629)	31 572	-	(1 299 299)	-	<b>(4 110 356)</b>	2 006 237
Furniture & Fittings	10 844 730	2 252 834	(150 203)	-	-	-	<b>12 947 361</b>	(7 074 156)	109 235	-	(1 574 694)	-	<b>(8 539 615)</b>	4 407 746
Office Equipment	54 817	-	-	-	-	-	<b>54 817</b>	(38 351)	-	-	(10 493)	-	<b>(48 844)</b>	5 973
Bins and containers	857 869	12 933	(19 596)	-	-	-	<b>851 206</b>	(284 030)	3 186	-	(66 449)	-	<b>(347 293)</b>	503 913
Under construction	63 000	2 304 148	-	-	-	-	<b>2 367 148</b>	-	-	-	-	-	-	2 367 148
	<b>52 950 441</b>	<b>8 809 143</b>	<b>(1 706 630)</b>	-	-	-	<b>60 052 954</b>	<b>(21 426 993)</b>	<b>579 144</b>	-	<b>(6 968 488)</b>	-	<b>(27 816 337)</b>	<b>32 236 617</b>

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June 2020

**Analysis of property, plant and equipment as at 30 June 2020**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	38 520 963	1 289 438	-	-	-	-	<b>39 810 401</b>	(6 079 242)	-	-	(894 325)	(148 587)	<b>(7 122 154)</b>	32 688 247
Infrastructure	668 782 722	51 547 017	(57 593 277)	8	-	-	<b>662 736 470</b>	(201 186 637)	7 660 528	-	(29 366 041)	(2 236 242)	<b>(225 128 392)</b>	437 608 078
Community Assets	131 986 477	25 944 728	(29 861)	-	-	-	<b>157 901 344</b>	(12 597 671)	29 861	-	(2 233 255)	-	<b>(14 801 065)</b>	143 100 279
Heritage assets	1 230 799	-	-	-	-	-	<b>1 230 799</b>	-	-	-	-	-	-	1 230 799
Other assets	52 950 441	8 809 143	(1 706 630)	-	-	-	<b>60 052 954</b>	(21 426 993)	579 144	-	(6 968 488)	-	<b>(27 816 337)</b>	32 236 617
	<b>893 471 402</b>	<b>87 590 326</b>	<b>(59 329 768)</b>	<b>8</b>	-	-	<b>921 731 968</b>	<b>(241 290 543)</b>	<b>8 269 533</b>	-	<b>(39 462 109)</b>	<b>(2 384 829)</b>	<b>(274 867 948)</b>	<b>646 864 020</b>
<b>Intangible assets</b>														
Computers - software & programming	2 230 573	-	-	-	-	-	<b>2 230 573</b>	(1 901 546)	-	-	(130 538)	-	<b>(2 032 084)</b>	198 489
	<b>2 230 573</b>	-	-	-	-	-	<b>2 230 573</b>	<b>(1 901 546)</b>	-	-	<b>(130 538)</b>	-	<b>(2 032 084)</b>	<b>198 489</b>
<b>Investment properties</b>														
Investment property	25 097 000	9 103 900	-	-	-	-	<b>34 200 900</b>	-	-	-	-	-	-	34 200 900
	<b>25 097 000</b>	<b>9 103 900</b>	-	-	-	-	<b>34 200 900</b>	-	-	-	-	-	-	<b>34 200 900</b>
<b>Total</b>														
Land and buildings	38 520 963	1 289 438	-	-	-	-	<b>39 810 401</b>	(6 079 242)	-	-	(894 325)	(148 587)	<b>(7 122 154)</b>	32 688 247
Infrastructure	668 782 722	51 547 017	(57 593 277)	8	-	-	<b>662 736 470</b>	(201 186 637)	7 660 528	-	(29 366 041)	(2 236 242)	<b>(225 128 392)</b>	437 608 078
Community Assets	131 986 477	25 944 728	(29 861)	-	-	-	<b>157 901 344</b>	(12 597 671)	29 861	-	(2 233 255)	-	<b>(14 801 065)</b>	143 100 279
Heritage assets	1 230 799	-	-	-	-	-	<b>1 230 799</b>	-	-	-	-	-	-	1 230 799
Other assets	52 950 441	8 809 143	(1 706 630)	-	-	-	<b>60 052 954</b>	(21 426 993)	579 144	-	(6 968 488)	-	<b>(27 816 337)</b>	32 236 617
Intangible assets	2 230 573	-	-	-	-	-	<b>2 230 573</b>	(1 901 546)	-	-	(130 538)	-	<b>(2 032 084)</b>	198 489
Investment properties	25 097 000	9 103 900	-	-	-	-	<b>34 200 900</b>	-	-	-	-	-	-	34 200 900
	<b>920 798 975</b>	<b>96 694 226</b>	<b>(59 329 768)</b>	<b>8</b>	-	-	<b>958 163 441</b>	<b>(243 192 089)</b>	<b>8 269 533</b>	-	<b>(39 592 647)</b>	<b>(2 384 829)</b>	<b>(276 900 032)</b>	<b>681 263 409</b>

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**Analysis of property, plant and equipment as at 30 June 2019**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	3 552 990	-	-	-	-	-	3 552 990	-	-	-	-	-	-	3 552 990
Landfill Sites (Separate for AFS purposes)	3 242 860	-	-	-	-	-	3 242 860	(627 412)	-	-	(167 261)	-	(794 673)	2 448 187
Buildings (Separate for AFS purposes)	31 725 113	-	-	-	-	-	31 725 113	(4 422 273)	-	-	(862 296)	(148 587)	(5 433 156)	26 291 957
	<b>38 520 963</b>	-	-	-	-	-	<b>38 520 963</b>	<b>(5 049 685)</b>	-	-	<b>(1 029 557)</b>	<b>(148 587)</b>	<b>(6 227 829)</b>	<b>32 293 134</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	552 685 322	17 588 127	(19 436 858)	9 957 335	-	-	560 793 926	(181 421 365)	12 382 798	-	(30 406 972)	(2 236 242)	(201 681 781)	359 112 145
Transmission & Reticulation	12 786 037	4 809 339	-	-	-	-	17 595 376	(2 397 757)	-	-	(369 012)	-	(2 766 769)	14 828 607
Under construction	80 468 278	64 774 606	-	(15 456 585)	-	-	129 786 299	-	-	-	-	-	-	129 786 299
	<b>645 939 637</b>	<b>87 172 072</b>	<b>(19 436 858)</b>	<b>(5 499 250)</b>	-	-	<b>708 175 601</b>	<b>(184 442 359)</b>	<b>12 382 798</b>	-	<b>(30 939 069)</b>	<b>(2 236 242)</b>	<b>(205 234 872)</b>	<b>502 940 729</b>
<b>Community Assets</b>														
Parks & gardens	71 321 020	-	(30 950)	-	-	-	71 290 070	(10 424 523)	30 950	-	(2 107 795)	-	(12 501 368)	58 788 702
Community halls	14 219 105	-	-	-	-	-	14 219 105	(96 302)	-	-	-	-	(96 302)	14 122 803
Creches	-	2 408 320	-	6 418 800	-	-	8 827 120	-	-	-	-	-	-	8 827 120
	<b>85 540 125</b>	<b>2 408 320</b>	<b>(30 950)</b>	<b>6 418 800</b>	-	-	<b>94 336 295</b>	<b>(10 520 825)</b>	<b>30 950</b>	-	<b>(2 107 795)</b>	-	<b>(12 597 670)</b>	<b>81 738 625</b>

**Mbizana Local Municipality**  
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**Appendix B**

June 2020

**Analysis of property, plant and equipment as at 30 June 2019**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Historical monuments	1 230 799	-	-	-	-	-	<b>1 230 799</b>	-	-	-	-	-	-	1 230 799
	<b>1 230 799</b>	-	-	-	-	-	<b>1 230 799</b>	-	-	-	-	-	-	<b>1 230 799</b>
<b>Specialised vehicles</b>														
<b>Other assets</b>														
General vehicles	12 054 491	2 795 970	(533 421)	-	-	-	<b>14 317 040</b>	(2 591 081)	103 007	-	(1 444 180)	-	<b>(3 932 254)</b>	10 384 786
Plant & equipment	16 725 195	3 933 095	-	-	-	-	<b>20 658 290</b>	(4 890 362)	-	-	(2 365 205)	-	<b>(7 255 567)</b>	13 402 723
Computer Equipment	4 199 542	1 946 068	(590 913)	-	-	-	<b>5 554 697</b>	(2 405 440)	575 831	-	(1 013 020)	-	<b>(2 842 629)</b>	2 712 068
Furniture & Fittings	8 073 446	419 323	(307 052)	600 000	-	-	<b>8 785 717</b>	(4 595 947)	307 052	-	(1 228 820)	-	<b>(5 517 715)</b>	3 268 002
Office Equipment	2 644 399	182 150	(113 737)	-	-	-	<b>2 712 812</b>	(1 322 136)	112 720	-	(384 277)	-	<b>(1 593 693)</b>	1 119 119
Bins and containers	859 073	-	(1 204)	-	-	-	<b>857 869</b>	(218 176)	1 204	-	(67 058)	-	<b>(284 030)</b>	573 839
	<b>44 556 146</b>	<b>9 276 606</b>	<b>(1 546 327)</b>	<b>600 000</b>	-	-	<b>52 886 425</b>	<b>(16 023 142)</b>	<b>1 099 814</b>	-	<b>(6 502 560)</b>	-	<b>(21 425 888)</b>	<b>31 460 537</b>

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June 2020

**Analysis of property, plant and equipment as at 30 June 2019**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	38 520 963	-	-	-	-	-	<b>38 520 963</b>	(5 049 685)	-	-	(1 029 557)	(148 587)	<b>(6 227 829)</b>	32 293 134
Infrastructure	645 939 637	87 172 072	(19 436 858)	(5 499 250)	-	-	<b>708 175 601</b>	(184 442 359)	12 382 798	-	(30 939 069)	(2 236 242)	<b>(205 234 872)</b>	502 940 729
Community Assets	85 540 125	2 408 320	(30 950)	6 418 800	-	-	<b>94 336 295</b>	(10 520 825)	30 950	-	(2 107 795)	-	<b>(12 597 670)</b>	81 738 625
Heritage assets	1 230 799	-	-	-	-	-	<b>1 230 799</b>	-	-	-	-	-	-	1 230 799
Other assets	44 556 146	9 276 606	(1 546 327)	600 000	-	-	<b>52 886 425</b>	(16 023 142)	1 099 814	-	(6 502 560)	-	<b>(21 425 888)</b>	31 460 537
	<b>815 787 670</b>	<b>98 856 998</b>	<b>(21 014 135)</b>	<b>1 519 550</b>	-	-	<b>895 150 083</b>	<b>(216 036 011)</b>	<b>13 513 562</b>	-	<b>(40 578 981)</b>	<b>(2 384 829)</b>	<b>(245 486 259)</b>	<b>649 663 824</b>
<b>Intangible assets</b>														
Computers - software & programming	2 230 573	-	-	-	-	-	<b>2 230 573</b>	(1 456 340)	-	-	(445 205)	-	<b>(1 901 545)</b>	329 028
	<b>2 230 573</b>	-	-	-	-	-	<b>2 230 573</b>	<b>(1 456 340)</b>	-	-	<b>(445 205)</b>	-	<b>(1 901 545)</b>	<b>329 028</b>
<b>Investment properties</b>														
Investment property	6 131 700	18 965 300	-	-	-	-	<b>25 097 000</b>	-	-	-	-	-	-	25 097 000
	<b>6 131 700</b>	<b>18 965 300</b>	-	-	-	-	<b>25 097 000</b>	-	-	-	-	-	-	<b>25 097 000</b>
<b>Total</b>														
Land and buildings	38 520 963	-	-	-	-	-	<b>38 520 963</b>	(5 049 685)	-	-	(1 029 557)	(148 587)	<b>(6 227 829)</b>	32 293 134
Infrastructure	645 939 637	87 172 072	(19 436 858)	(5 499 250)	-	-	<b>708 175 601</b>	(184 442 359)	12 382 798	-	(30 939 069)	(2 236 242)	<b>(205 234 872)</b>	502 940 729
Community Assets	85 540 125	2 408 320	(30 950)	6 418 800	-	-	<b>94 336 295</b>	(10 520 825)	30 950	-	(2 107 795)	-	<b>(12 597 670)</b>	81 738 625
Heritage assets	1 230 799	-	-	-	-	-	<b>1 230 799</b>	-	-	-	-	-	-	1 230 799
Other assets	44 556 146	9 276 606	(1 546 327)	600 000	-	-	<b>52 886 425</b>	(16 023 142)	1 099 814	-	(6 502 560)	-	<b>(21 425 888)</b>	31 460 537
Intangible assets	2 230 573	-	-	-	-	-	<b>2 230 573</b>	(1 456 340)	-	-	(445 205)	-	<b>(1 901 545)</b>	329 028
Investment properties	6 131 700	18 965 300	-	-	-	-	<b>25 097 000</b>	-	-	-	-	-	-	25 097 000
	<b>824 149 943</b>	<b>117 822 298</b>	<b>(21 014 135)</b>	<b>1 519 550</b>	-	-	<b>922 477 656</b>	<b>(217 492 351)</b>	<b>13 513 562</b>	-	<b>(41 024 186)</b>	<b>(2 384 829)</b>	<b>(247 387 804)</b>	<b>675 089 852</b>

**Mbizana Local Municipality**

**Appendix D**

June 2020

**Segmental Statement of Financial Performance for the year ended  
Prior Year Current Year**

<b>Actual Income</b>	<b>Actual Expenditure</b>	<b>Surplus /(Deficit)</b>		<b>Actual Income</b>	<b>Actual Expenditure</b>	<b>Surplus /(Deficit)</b>
<b>Rand</b>	<b>Rand</b>	<b>Rand</b>		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>
<b>Municipality</b>						
-	56 846 360	(56 846 360)	Executive & Council/Mayor and Council	-	54 295 557	(54 295 557)
286 725 426	94 851 195	191 874 231	Finance & Admin/Finance	313 651 155	100 540 864	213 110 291
356 985	21 194 334	(20 837 349)	Planning and Development/Economic Development/Plan	306 862	19 308 526	(19 001 664)
134 586	6 824 882	(6 690 296)	Comm. & Social/Libraries and archives	327 491	8 044 056	(7 716 565)
-	116 054	(116 054)	Housing	-	9 147	(9 147)
133 375	1 396 110	(1 262 735)	Public Safety/Police	5 450 822	13 777 157	(8 326 335)
-	7 722 607	(7 722 607)	Sport and Recreation	-	7 496 637	(7 496 637)
-	3 863 302	(3 863 302)	Environmental Protection/Pollution Control	-	2 589 195	(2 589 195)
6 789 485	14 527 872	(7 738 387)	Waste Water Management/Sewerage	9 825 914	18 271 497	(8 445 583)
57 618 865	60 352 024	(2 733 159)	Road Transport/Roads	53 946 982	46 899 090	7 047 892
64 035 919	51 463 877	12 572 042	Electricity /Electricity Distribution	58 896 392	96 839 218	(37 942 826)
-	2 934 271	(2 934 271)	Other/Air Transport	-	2 219 677	(2 219 677)
<b>415 794 641</b>	<b>322 092 888</b>	<b>93 701 753</b>		<b>442 405 618</b>	<b>370 290 621</b>	<b>72 114 997</b>

# Mbizana Local Municipality

## Appendix E(1)

June 2020

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2020

	Current year 2019 Act. Bal.	Current year 2019 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var
<b>Revenue</b>				
Property rates	21 251 036	24 561 483	(3 310 447)	(13.5) The municipality also rates for government properties in the rural areas. Most of these properties have not been surveyed and as such the government does not pay for them.
Service charges	38 374 181	39 184 222	(810 041)	(2.1)
Rental of facilities and equipment	5 096 656	2 258 074	2 838 582	125.7 The rental of facilities depends on the hiring of halls by individuals and the municipality can only hope that there is an increased demand. On the hand new lease agreement has been entered to with higher rentals..
Interest received	14 572 348	14 131 254	441 094	3.1
Agency services	1 020 949	1 295 000	(274 051)	(21.2) The country has been hit by the Pandemic which resulted on services being withheld. The municipality testing station could not render services due to lockdown regulations.
Fines	2 065 515	936 422	1 129 093	120.6 The revenue for fines was adjusted down during the second adjustment budget, because we were not expecting more revenue from fines due to the Covid Regulation in place. The actuals are showing that more people have broken the law during this period
Licences and permits	2 236 951	2 637 185	(400 234)	(15.2) The country has been hit by the Pandemic which resulted on services being withheld. The municipality testing station could not render services due to lockdown regulations.
Government grants and subsidies	347 724 400	355 280 580	(7 556 180)	(2.1)
Other income - (rollup)	959 683	1 511 679	(551 996)	(36.5) The country has been hit by the Pandemic which resulted on services being withheld. The municipality testing station could not render services due to lockdown regulations.
	-	-	-	-
	433 301 719	441 795 899	(8 494 180)	(1.9)
<b>Expenses</b>				
Personnel	(104 851 909)	(108 374 654)	3 522 745	(3.3)
Remuneration of councillors	(23 970 005)	(24 263 190)	293 185	(1.2)
Depreciation	(39 437 152)	(50 871 546)	11 434 394	(22.5) Assets disposed and delays in completion of projects leading to a decrease in depreciation
Finance costs	(11 286)	(400 000)	388 714	(97.2) Improved payment of creditors
Debt Impairment	(8 569 813)	(2 631 016)	(5 938 797)	225.7 Covid-19 resulted in an increase in debtors' risk profiles
Bulk purchases	(33 254 837)	(33 274 121)	19 284	(0.1)
Contracted Services	-	-	-	-
Contracted Services	(50 929 495)	(77 751 772)	26 822 277	(34.5) Savings as a result of lockdown, decrease in procurements during lockdown and implementation of the cost containment regulations
Other materials	(8 161 969)	(12 243 241)	4 081 272	(33.3) Savings as a result of lockdown, decrease in procurements during lockdown and implementation of the cost containment regulations
General Expenses	(45 888 390)	(70 675 845)	24 787 455	(35.1) Savings as a result of lockdown, decrease in procurements during lockdown and implementation of the cost containment regulations
	(315 074 856)	(380 485 385)	65 410 529	(17.2)
<b>Other revenue and costs</b>				
Gain or loss on disposal of assets and liabilities	(55 215 766)	(75 546 099)	20 330 333	(26.9) Electrification projects expected to be completed and disposed not yet completed
Fair value adjustments	9 103 900	-	9 103 900	- No surplus forecasted
	(46 111 866)	(75 546 099)	29 434 233	(39.0)
Net surplus/ (deficit) for the year	72 114 997	(14 235 585)	86 350 582	(606.6)

# Mbizana Local Municipality

## Appendix E(2)

June 2020

### Budget Analysis of Capital Expenditure as at 30 June 2020

	<b>Additions</b>	<b>Revised Budget</b>	<b>Variance</b>	<b>Variance</b>	<b>Explanation of significant</b>
	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>%</b>	<b>variances from budget</b>
<b>Municipality</b>					
Finance & Admin/Finance	5 264 545	7 185 828	1 921 283		<b>27</b> Savings on Vehicle procurement, as the municipality have used the RT-57 2019 Transversal Contract. Also there is a project that was not complete by June.
Planning and Development/Economic Development/Plan	26 486 172	40 429 449	13 943 277		<b>34</b> Major construction projects were halted due to impact of COVID 19 Pandemic. These projects were still in Work in Progress by year end and other 2 could not be implemented due to delays in appointment of service provider..
Comm. & Social/Libraries and archives	160 200	850 000	689 800		<b>81</b> Delays in appointment of service provider due impact of COVID 19 Pandemic. Committees could not sit for appointments.
Public Safety/Police	1 742 148	1 830 000	87 852		<b>5</b>
Waste Water Management/Sewerage	2 931 688	3 023 000	91 312		<b>3</b>
Road Transport/Roads	31 413 283	29 815 568	(1 597 715)		<b>(5)</b>
Electricity /Electricity Distribution	19 724 585	27 937 462	8 212 877		<b>29</b> There were delays from ESKOM for Electrification designs for new Projects. Also impact of COVID 19 Pandemic.
	<b>87 722 621</b>	<b>111 071 307</b>	<b>23 348 686</b>	<b>21</b>	





**Mbizana Local Municipality**  
**Appendix G1**  
**Budgeted Financial Performance (revenue and expenditure by functional classification)**  
**for the year ended 30 June 2020**

	2020/2019							2019/2018							
	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 Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue - Functional</b>															
<b>Municipal governance and administration</b>	<b>302 911 704</b>	<b>2 020 716</b>	<b>304 932 420</b>	-		<b>304 932 420</b>	<b>313 651 155</b>		<b>8 718 735</b>	<b>103 %</b>	<b>104 %</b>				<b>286 725 426</b>
Finance and administration	302 911 704	2 020 716	304 932 420	-		304 932 420	313 651 155		8 718 735	103 %	104 %				286 725 426
<b>Community and public safety</b>	<b>6 340 568</b>	<b>(855 950)</b>	<b>5 484 618</b>	-		<b>5 484 618</b>	<b>5 778 313</b>		<b>293 695</b>	<b>105 %</b>	<b>91 %</b>				<b>267 961</b>
Community and social services	762 905	(80 000)	682 905	-		682 905	327 491		(355 414)	48 %	43 %				134 586
Public safety	5 577 663	(775 950)	4 801 713	-		4 801 713	5 450 822		649 109	114 %	98 %				133 375
<b>Economic and environmental services</b>	<b>48 852 980</b>	<b>6 126 580</b>	<b>54 979 560</b>	-		<b>54 979 560</b>	<b>54 253 844</b>		<b>(725 716)</b>	<b>99 %</b>	<b>111 %</b>				<b>57 975 847</b>
Planning and development	490 980	-	490 980	-		490 980	306 862		(184 118)	62 %	62 %				356 985
Road transport	48 362 000	6 126 580	54 488 580	-		54 488 580	53 946 982		(541 598)	99 %	112 %				57 618 862
<b>Trading services</b>	<b>79 481 766</b>	<b>(3 082 465)</b>	<b>76 399 301</b>	-		<b>76 399 301</b>	<b>68 722 305</b>		<b>(7 676 996)</b>	<b>90 %</b>	<b>86 %</b>				<b>70 825 407</b>
Energy sources	69 109 904	(2 200 000)	66 909 904	-		66 909 904	58 896 391		(8 013 513)	88 %	85 %				64 035 919
Waste management	10 371 862	(882 465)	9 489 397	-		9 489 397	9 825 914		336 517	104 %	95 %				6 789 488
<b>Total Revenue - Functional</b>	<b>437 587 018</b>	<b>4 208 881</b>	<b>441 795 899</b>	-		<b>441 795 899</b>	<b>442 405 617</b>		<b>609 718</b>	<b>100 %</b>	<b>101 %</b>				<b>415 794 641</b>

Mbizana Local Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by functional classification)

for the year ended 30 June 2020

2020/2019

2019/2018

	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 (i.t.o. s28 and s31 of the MFMA)	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure - Functional</b>															
<b>Governance and administration</b>	<b>180 385 553</b>	<b>561 836</b>	<b>180 947 389</b>	-	-	<b>180 947 389</b>	<b>154 836 424</b>	-	<b>(26 110 965)</b>	<b>86 %</b>	<b>86 %</b>	-	-	-	<b>151 697 549</b>
Executive and council	65 088 024	(2 448 460)	62 639 564	-	-	62 639 564	54 295 557	-	(8 344 007)	87 %	83 %	-	-	-	56 846 360
Finance and administration	111 610 942	2 586 836	114 197 778	-	-	114 197 778	97 699 536	-	(16 498 242)	86 %	88 %	-	-	-	91 956 742
Internal audit	3 686 587	423 460	4 110 047	-	-	4 110 047	2 841 331	-	(1 268 716)	69 %	77 %	-	-	-	2 894 447
<b>Community and public safety</b>	<b>27 095 523</b>	<b>4 064 051</b>	<b>31 159 574</b>	-	-	<b>31 159 574</b>	<b>29 326 993</b>	-	<b>(1 832 581)</b>	<b>94 %</b>	<b>108 %</b>	-	-	-	<b>16 059 650</b>
Community and social services	10 218 675	(1 152 179)	9 066 496	-	-	9 066 496	8 044 052	-	(1 022 444)	89 %	79 %	-	-	-	6 824 882
Sport and recreation	2 307 158	5 189 479	7 496 637	-	-	7 496 637	7 496 637	-	-	100 %	325 %	-	-	-	7 722 607
Public safety	13 355 436	424 751	13 780 187	-	-	13 780 187	13 777 157	-	(3 030)	100 %	103 %	-	-	-	1 396 110
Housing	1 214 254	(398 000)	816 254	-	-	816 254	9 147	-	(807 107)	1 %	1 %	-	-	-	116 051
<b>Economic and environmental services</b>	<b>90 207 797</b>	<b>4 192 889</b>	<b>94 400 686</b>	-	-	<b>94 400 686</b>	<b>68 796 811</b>	-	<b>(25 603 875)</b>	<b>73 %</b>	<b>76 %</b>	-	-	-	<b>85 409 660</b>
Planning and development	27 637 716	(884 019)	26 753 697	-	-	26 753 697	19 308 526	-	(7 445 171)	72 %	70 %	-	-	-	21 194 334
Road transport	60 331 662	4 702 905	65 034 567	-	-	65 034 567	46 899 090	-	(18 135 477)	72 %	78 %	-	-	-	60 352 024
Environmental protection	2 238 419	374 003	2 612 422	-	-	2 612 422	2 589 195	-	(23 227)	99 %	116 %	-	-	-	3 863 302
<b>Trading services</b>	<b>134 337 624</b>	<b>11 719 488</b>	<b>146 057 112</b>	-	-	<b>146 057 112</b>	<b>115 110 715</b>	-	<b>(30 946 397)</b>	<b>79 %</b>	<b>86 %</b>	-	-	-	<b>65 991 748</b>
Energy sources	110 236 195	15 557 553	125 793 748	-	-	125 793 748	96 839 218	-	(28 954 530)	77 %	88 %	-	-	-	51 463 876
Waste management	24 101 429	(3 838 065)	20 263 364	-	-	20 263 364	18 271 497	-	(1 991 867)	90 %	76 %	-	-	-	14 527 872
<b>Other</b>	<b>3 534 149</b>	<b>(67 425)</b>	<b>3 466 724</b>	-	-	<b>3 466 724</b>	<b>2 219 677</b>	-	<b>(1 247 047)</b>	<b>64 %</b>	<b>63 %</b>	-	-	-	-
Other	3 534 149	(67 425)	3 466 724	-	-	3 466 724	2 219 677	-	(1 247 047)	64 %	63 %	-	-	-	2 934 281
<b>Total Expenditure - Functional</b>	<b>435 560 646</b>	<b>20 470 839</b>	<b>456 031 485</b>	-	-	<b>456 031 485</b>	<b>370 290 620</b>	-	<b>(85 740 865)</b>	<b>81 %</b>	<b>85 %</b>	-	-	-	<b>322 092 888</b>
<b>Surplus/(Deficit) for the year</b>	<b>2 026 372</b>	<b>(16 261 958)</b>	<b>(14 235 586)</b>	-	-	<b>(14 235 586)</b>	<b>72 114 997</b>	-	<b>86 350 583</b>	<b>(507)%</b>	<b>3 559 %</b>	-	-	-	<b>93 701 753</b>

**Mbizana Local Municipality**  
**Appendix G2**  
**Budgeted Financial Performance (revenue and expenditure by municipal vote)**  
**for the year ended 30 June 2020**

	2020/2019							2019/2018							
	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	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
<b>Revenue by Vote</b>															
Budget and Treasury	302 786 860	1 837 911	304 624 771	-		304 624 771	313 298 881		8 674 110	103 %	103 %				286 436 567
Corporate Services	124 844	182 805	307 649	-		307 649	352 274		44 625	115 %	282 %				288 862
Development and Planning	313 365	-	313 365	-		313 365	110 425		(202 940)	35 %	35 %				370 969
Community and Social Services	16 712 430	(1 738 415)	14 974 015	-		14 974 015	15 604 227		630 212	104 %	93 %				11 331 731
Infrastructure and Planning	48 539 616	6 126 579	54 666 195	-		54 666 195	54 143 418		(522 777)	99 %	112 %				53 330 593
Electricity	69 109 905	(2 200 001)	66 909 904	-		66 909 904	58 896 393		(8 013 511)	88 %	85 %				64 035 919
<b>Total Revenue by Vote</b>	<b>437 587 020</b>	<b>4 208 879</b>	<b>441 795 899</b>	<b>-</b>		<b>441 795 899</b>	<b>442 405 618</b>		<b>609 719</b>	<b>100 %</b>	<b>101 %</b>				<b>415 794 641</b>
<b>Expenditure by Vote to be appropriated</b>															
Mayor and Council	47 771 335	(2 359 609)	45 411 726	-	-	45 411 726	39 327 894	-	(6 083 832)	87 %	82 %	-	-	-	40 394 907
Municipal Manager	35 158 166	167 609	35 325 775	-	-	35 325 775	30 170 438	-	(5 155 337)	85 %	86 %	-	-	-	34 938 433
Budget and Treasury	28 162 384	102 705	28 265 089	-	-	28 265 089	26 759 456	-	(1 505 633)	95 %	95 %	-	-	-	25 304 970
Corporate Services	58 783 014	287 276	59 070 290	-	-	59 070 290	46 970 487	-	(12 099 803)	80 %	80 %	-	-	-	44 199 526
Development and Planning	25 023 848	400 000	25 423 848	-	-	25 423 848	16 059 774	-	(9 364 074)	63 %	64 %	-	-	-	17 546 218
Community and Social Services	64 646 381	3 279 844	67 926 225	-	-	67 926 225	63 662 836	-	(4 263 389)	94 %	98 %	-	-	-	54 695 016
Infrastructure and Planning	65 779 323	3 035 460	68 814 783	-	-	68 814 783	50 500 516	-	(18 314 267)	73 %	77 %	-	-	-	53 549 942
Electricity	110 236 195	15 557 553	125 793 748	-	-	125 793 748	96 839 220	-	(28 954 528)	77 %	88 %	-	-	-	51 463 876
<b>Total Expenditure by Vote</b>	<b>435 560 646</b>	<b>20 470 838</b>	<b>456 031 484</b>	<b>-</b>	<b>-</b>	<b>456 031 484</b>	<b>370 290 621</b>	<b>-</b>	<b>(85 740 863)</b>	<b>81 %</b>	<b>85 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>322 092 888</b>
<b>Surplus/(Deficit) for the year</b>	<b>2 026 374</b>	<b>(16 261 959)</b>	<b>(14 235 585)</b>	<b>-</b>		<b>(14 235 585)</b>	<b>72 114 997</b>		<b>86 350 582</b>	<b>(507)%</b>	<b>3 559 %</b>				<b>93 701 753</b>

**Mbizana Local Municipality**  
**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June 2020**

	2020/2019					2019/2018					Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome	
	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 Budget	Actual Outcome as % of Final Budget					Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand					Rand
<b>Revenue By Source</b>															
Property rates	24 796 262	(234 779)	24 561 483	-		24 561 483	21 251 036		(3 310 447)	87 %	86 %				18 966 665
Service charges - electricity revenue	37 474 645	(2 000 000)	35 474 645	-		35 474 645	33 884 362		(1 590 283)	96 %	90 %				31 228 882
Service charges - water revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - sanitation revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - refuse revenue	4 592 042	(882 465)	3 709 577	-		3 709 577	4 489 819		780 242	121 %	98 %				4 455 872
Service charges - other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	950 384	1 307 690	2 258 074	-		2 258 074	5 096 656		2 838 582	226 %	536 %				2 223 563
Interest earned - external investments	9 617 289	300 000	9 917 289	-		9 917 289	9 660 185		(257 104)	97 %	100 %				8 772 085
Interest earned - outstanding debtors	4 213 965	-	4 213 965	-		4 213 965	4 912 163		698 198	117 %	117 %				4 047 448
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines, penalties and forfeits	2 136 422	(1 200 000)	936 422	-		936 422	2 065 515		1 129 093	221 %	97 %				1 037 885
Licences and permits	2 413 135	224 050	2 637 185	-		2 637 185	2 236 951		(400 234)	85 %	93 %				2 256 589
Agency services	1 295 000	-	1 295 000	-		1 295 000	1 020 949		(274 051)	79 %	79 %				1 270 965
Transfers and subsidies	268 837 000	715 000	269 552 000	-		269 552 000	271 483 287		1 931 287	101 %	101 %				235 075 000
Other revenue	1 658 874	(147 195)	1 511 679	-		1 511 679	737 503		(774 176)	49 %	44 %				1 536 688
Gains on disposal of PPE	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>357 985 018</b>	<b>(1 917 699)</b>	<b>356 067 319</b>	<b>-</b>		<b>356 067 319</b>	<b>356 838 426</b>		<b>771 107</b>	<b>100 %</b>	<b>100 %</b>				<b>310 871 642</b>

**Mbizana Local Municipality**  
**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June 2020**

	2020/2019							2019/2018							
	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 Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure By Type</b>															
Employee related costs	108 674 079	(299 426)	108 374 653	-	-	108 374 653	110 343 924	-	1 969 271	102 %	102 %	-	-	-	107 255 019
Remuneration of councillors	25 263 190	(1 000 000)	24 263 190	-	-	24 263 190	23 970 005	-	(293 185)	99 %	95 %	-	-	-	23 243 992
Debt impairment	2 631 016	-	2 631 016	-	-	2 631 016	8 569 814	-	5 938 798	326 %	326 %	-	-	-	4 266 040
Depreciation & asset impairment	50 871 546	-	50 871 546	-	-	50 871 546	39 437 152	-	(11 434 394)	78 %	78 %	-	-	-	41 890 470
Finance charges	400 000	-	400 000	-	-	400 000	11 283	-	(388 717)	3 %	3 %	-	-	-	65 518
Bulk purchases	35 274 121	(2 000 000)	33 274 121	-	-	33 274 121	33 254 837	-	(19 284)	100 %	94 %	-	-	-	30 025 433
Other materials	11 074 580	1 816 141	12 890 721	-	-	12 890 721	8 161 969	-	(4 728 752)	63 %	74 %	-	-	-	5 250 164
Contracted services	89 848 060	(12 189 426)	77 658 634	-	-	77 658 634	48 048 833	-	(29 609 801)	62 %	53 %	-	-	-	49 148 530
Transfers and subsidies	1 129 591	2 571 000	3 700 591	-	-	3 700 591	1 418 323	-	(2 282 268)	38 %	126 %	-	-	-	702 066
Other expenditure	69 848 364	(3 427 452)	66 420 912	-	-	66 420 912	41 858 717	-	(24 562 195)	63 %	60 %	-	-	-	52 782 967
Loss on disposal of PPE	40 546 099	35 000 000	75 546 099	-	-	75 546 099	55 215 766	-	(20 330 333)	73 %	136 %	-	-	-	7 462 689
<b>Total Expenditure</b>	<b>435 560 646</b>	<b>20 470 837</b>	<b>456 031 483</b>	<b>-</b>	<b>-</b>	<b>456 031 483</b>	<b>370 290 623</b>	<b>-</b>	<b>(85 740 860)</b>	<b>81 %</b>	<b>85 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>322 092 888</b>
<b>Surplus/(Deficit)</b>	<b>(77 575 628)</b>	<b>(22 388 536)</b>	<b>(99 964 164)</b>	<b>-</b>	<b>-</b>	<b>(99 964 164)</b>	<b>(13 452 197)</b>	<b>-</b>	<b>86 511 967</b>	<b>13 %</b>	<b>17 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11 221 246)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	79 602 000	6 126 580	85 728 580	-	-	85 728 580	76 463 294	-	(9 265 286)	89 %	96 %	-	-	-	85 899 420
Fair value adjustment	-	-	-	-	-	-	9 103 900	-	9 103 900	DIV/0 %	DIV/0 %	-	-	-	19 023 579
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; fair value adjustments</b>	<b>2 026 372</b>	<b>(16 261 956)</b>	<b>(14 235 584)</b>	<b>-</b>	<b>-</b>	<b>(14 235 584)</b>	<b>72 114 997</b>	<b>-</b>	<b>86 350 581</b>	<b>(507)%</b>	<b>3 559 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>93 701 753</b>
Taxation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>	<b>2 026 372</b>	<b>(16 261 956)</b>	<b>(14 235 584)</b>	<b>-</b>	<b>-</b>	<b>(14 235 584)</b>	<b>72 114 997</b>	<b>-</b>	<b>86 350 581</b>	<b>(507)%</b>	<b>3 559 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>93 701 753</b>
Attributable to minorities	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>2 026 372</b>	<b>(16 261 956)</b>	<b>(14 235 584)</b>	<b>-</b>	<b>-</b>	<b>(14 235 584)</b>	<b>72 114 997</b>	<b>-</b>	<b>86 350 581</b>	<b>(507)%</b>	<b>3 559 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>93 701 753</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>2 026 372</b>	<b>(16 261 956)</b>	<b>(14 235 584)</b>	<b>-</b>	<b>-</b>	<b>(14 235 584)</b>	<b>72 114 997</b>	<b>-</b>	<b>86 350 581</b>	<b>(507)%</b>	<b>3 559 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>93 701 753</b>