

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022



Amajuba District Municipality  
Annual Financial Statements  
for the year ended June 30, 2022

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## General Information

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### Nature of business and principal activities

The provision of services (water and sanitation) to communities in a sustainable manner; to promote social and economic development and to provide a safe and healthy environment

### Mayoral committee

Mayor	Cllr VV Bam
Mayor (term to November 2021)	Cllr MG Ngubane
Deputy Mayor	Cllr S Sizani
Deputy Mayor (term to November 2021)	Cllr SE Nkosi
Speaker	Cllr SO Zulu
Speaker (Deceased)	Cllr R.B Ndirima
Speaker (Term ended November 2021)	Cllr P Mgcina
Chief Whip	Cllr AT Nkosi
MPAC chairperson	Cllr JS Thusi
Exco Member	Cllr PS Mgcina
Exco Member (term to November 2021)	Cllr ZC Msibi
Exco Member	Cllr TE Mthembu
Exco Member (term to November 2021)	Cllr MM Mdlalose
Exco Member	Cllr JP Phakathi
Exco Member (term to November 2021)	Cllr AP Meiring
Councillors	Cllr S Singh
	Cllr GMB Thwala
	Cllr ZC Msibi
	Cllr NA Zulu
	Cllr IS Sithole
	Cllr LN Zulu
	Cllr SN Ndlovu
	Cllr SK Thwala
	Cllr SM Khoza
	Cllr SEC Kunene
	Cllr SE Myaka
	Cllr MJ Dladla
	Cllr BG Madi
	Cllr MT Makhoba
	Cllr NP Shabalala
	Cllr RS Langa
	Cllr SB Buthelezi
	Cllr T Dlamini
	Cllr VF Hadebe
	Cllr EJ Cronje

# Amajuba District Municipality

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## General Information

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### Councillors (term ended November 2021)

Cllr MV Buhali  
Cllr MA Buthelezi  
Cllr SB Buthelezi  
Cllr JA Vorster  
Cllr XN Dladla  
Cllr NS Hlatshwayo  
Cllr NC Khabanyane  
Cllr BV Khumalo  
Cllr NP Khumalo  
Cllr MJ Madela  
Cllr HN Mkhwanazi  
Cllr MV Molefe  
Cllr VP Nzima  
Cllr TM Ndaba  
Cllr VC Ndlovu  
Cllr RN Ngcobo  
Cllr D Ngwenya  
Cllr TM Nzuza  
Cllr MN Ntshangase  
Cllr LM Zulu  
Cllr SE Shabalala  
Cllr M Mbatha  
Cllr ZG Mabaso  
Cllr M Masondo  
Cllr IT Tsotetsi  
Cllr PF Ndlovu  
Inkosi CS Kubheka

### Grading of local municipality

Grade 2

### Accounting Officers

Mr M Manqele (From November 2022)  
Mr T Dube (From August 2022)  
Mr MS Sithole (May 2022 to August 2022)  
Mr LS Jili (February 2022 to May 2022)  
Mrs S Mdakane (August 2021 to February 2022)  
Adv N Khambule (July 2021 to August 2021)

### Chief Finance Officer (CFO)

Mr MS Sithole

### Registered office

B9356 Section 1  
Madadeni  
Newcastle  
2951

### Business address

B9356 Section 1  
Madadeni  
Newcastle  
2951

### Bankers

Standard Bank SA

### Auditors

Auditor General South Africa  
Registered Auditors

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

I certify that the salaries, allowances and benefits of Councillors and payments made to Councillors for loss of office, if any, as disclosed in 26 of these annual financial statements are within the upper limits of the framework envisaged in Section 2019 of the Constitution, read with the Remuneration of Public Bearers Act, 1998 (Act No 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

As required by Section 45 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) and Section 121(4)(a) and (b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and Gazette number 43582 the Annual Financial Statements were submitted to the Auditor-General South Africa (AGSA) on 31st August 2021

  
Mr M Manqele  
Acting Municipal Manager

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting officer's Report

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The accounting officer submits his report for the year ended June 30, 2022.

### 1. Going concern

We draw attention to the fact that at June 30, 2022, the municipality had an accumulated surplus (deficit) of 639,540,153 and that the municipality's total assets exceed its liabilities by 639,540,153.

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.

### 2. Subsequent events

#### Auction of Property Plant and Equipment

Included in property plant and equipment note 3 are old assets that were approved for disposal by Council as they were no longer in use for service delivery or to generate revenue.

These assets were auctioned after year-end. As per the auction report received on the 29th August 2022, the total proceeds including VAT amounted to R1 322 910.74 after deducting commission and advertisement costs.

#### Change of accounting officer

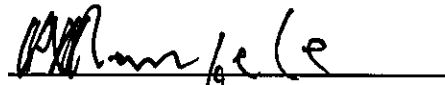
Mr Thulani Dube was appointed as acting accounting officer from the 16th of August 2022 for the period of 3 months.

Mr Mpumelelo Manqele was appointed as acting accounting officer from the 23rd of November 2022 for the period of 3 months.

### 3. Auditors

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

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2022 and were signed on its behalf by:



Mr M Manqele  
Acting Municipal Manager

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Statement of Financial Position as at June 30, 2022

		2022	2021 Restated*
	Note(s)		
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	7	1,699,729	2,142,302
Receivables from exchange	8&11	6,902,670	2,831,148
Receivables from non-exchange transactions	9&11	14,852	14,852
VAT receivable	10	8,612,721	33,976,014
Prepayments		330,073	-
Cash and cash equivalents	12	71,223,202	44,581,071
		<b>88,783,247</b>	<b>83,545,387</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3	538,450,512	468,814,661
Intangible assets	4	2,832,595	2,833,602
Investments in associates	5	137,741,439	181,554,425
		<b>679,024,546</b>	<b>653,202,688</b>
<b>Total Assets</b>		<b>767,807,793</b>	<b>736,748,075</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	15	1,244,537	1,140,134
Payables from exchange transactions	17	68,834,584	79,469,919
Employee benefit obligation	6	43,942	41,600
Unspent conditional grants and receipts	14	27,686,126	5,147,870
Provisions	16	22,852,268	18,369,867
		<b>120,661,457</b>	<b>104,169,390</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	15	2,843,580	4,088,812
Finance lease obligation	13	136,753	36,127
Employee benefit obligation	6	391,259	393,400
Provisions	16	4,234,591	4,234,591
		<b>7,606,183</b>	<b>8,752,930</b>
<b>Total Liabilities</b>		<b>128,267,640</b>	<b>112,922,320</b>
<b>Net Assets</b>		<b>639,540,153</b>	<b>623,825,755</b>
Accumulated surplus		639,540,153	623,825,755
<b>Total Net Assets</b>		<b>639,540,153</b>	<b>623,825,755</b>

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Statement of Financial Performance

	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Sale of goods		238,633	179,350
Service charges	19	34,907,043	28,783,615
Rental of facilities and equipment	20	46,566	19,780
Other income	22	253,293	272,349
Interest received	23	13,532,789	10,529,297
Inventory & PPE adjustments		9,000	1,893,282
<b>Total revenue from exchange transactions</b>		<b>48,987,324</b>	<b>41,677,673</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Licences and Permits (Non-exchange)		-	30,000
<b>Transfer revenue</b>			
Government grants & subsidies	24	279,001,744	293,062,726
Donation		13,917,178	-
<b>Total revenue from non-exchange transactions</b>		<b>292,918,922</b>	<b>293,092,726</b>
<b>Total revenue</b>	18	<b>341,906,246</b>	<b>334,770,399</b>
<b>Expenditure</b>			
Employee related costs	25	(113,192,168)	(104,513,874)
Remuneration of councillors	26	(7,161,143)	(7,215,651)
Depreciation and amortisation	27	(15,312,280)	(17,817,661)
Impairment of assets	28	(3,875,041)	(4,773,017)
Finance costs	29	(419,122)	(570,949)
Lease rentals on operating lease	21	(146,670)	(50,400)
Debt Impairment		(31,477,056)	(26,045,508)
Bulk purchases	30	(19,849,650)	(20,247,976)
Contracted services	31	(54,708,577)	(49,995,422)
Actuarial losses		(44,973)	(65,397)
Share of deficits from associates		(43,812,986)	(29,386,642)
Loss on donated assets		(89,164)	-
General Expenses	32	(36,103,018)	(30,740,938)
<b>Total expenditure</b>		<b>(326,191,848)</b>	<b>(291,423,435)</b>
<b>Surplus for the year</b>		<b>15,714,398</b>	<b>43,346,964</b>

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## Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Opening balance as previously reported	574,935,957	574,935,957
Adjustments		
Prior year adjustments	5,542,834	5,542,834
<b>Balance at July 1, 2020</b>	<b>580,478,791</b>	<b>580,478,791</b>
Changes in net assets		
Surplus for the year	43,346,964	43,346,964
Total changes	43,346,964	43,346,964
Opening balance as previously reported	621,463,542	621,463,542
Adjustments		
Correction of errors	(3,034,906)	(3,034,906)
Prior year adjustments	5,397,119	5,397,119
<b>Restated* Balance at July 1, 2021 as restated*</b>	<b>623,825,755</b>	<b>623,825,755</b>
Changes in net assets		
Surplus for the year	15,714,398	15,714,398
Total changes	15,714,398	15,714,398
<b>Balance at June 30, 2022</b>	<b>639,540,153</b>	<b>639,540,153</b>
Note(s)		

\* See Note 40 & 39



# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Cash Flow Statement

	2022	2021
		Restated*
	Note(s)	
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Sale of goods and services	13,635,976	14,011,954
Grants	303,865,000	281,980,001
Interest income	3,936,600	3,722,157
	<u>321,437,576</u>	<u>299,714,112</u>
<b>Payments</b>		
Employee costs	(120,353,311)	(110,395,311)
Suppliers	(97,996,843)	(145,184,015)
Finance costs	(419,122)	(570,949)
	<u>(218,769,276)</u>	<u>(256,150,275)</u>
<b>Net cash flows from operating activities</b>	<b>34</b>	<b>102,668,300</b>
		<b>43,563,837</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	3	(74,985,966)
		(87,037,150)
<b>Cash flows from financing activities</b>		
Repayment of other financial liabilities		(1,140,829)
Finance lease payments		100,626
		(1,044,192)
		(123,164)
<b>Net cash flows from financing activities</b>		<b>(1,040,203)</b>
		<b>(1,167,356)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>26,642,131</b>
Cash and cash equivalents at the beginning of the year		44,581,071
		89,221,740
<b>Cash and cash equivalents at the end of the year</b>	<b>12</b>	<b>71,223,202</b>
		<b>44,581,071</b>

\* See Note 40 & 39

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## 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
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Sale of goods	51,000	147,001	198,001	238,633	40,632	
Service charges	32,100,000	5,818,566	37,918,566	34,907,043	(3,011,523)	Consumer billing was less than anticipated
Rental of facilities and equipment	35,000	15,367	50,367	46,566	(3,801)	
Other income	12,000	492,630	504,630	253,293	(251,337)	
Interest earned	10,606,924	1,323,361	11,930,285	13,532,789	1,602,504	More interest was received due to unspent conditional grants cash backed as investments
<b>Total revenue from exchange transactions</b>	<b>42,804,924</b>	<b>7,796,925</b>	<b>50,601,849</b>	<b>48,978,324</b>	<b>(1,623,525)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	293,865,000	-	293,865,000	279,001,744	(14,863,256)	The variance was due to roll-over applications not approved
Other transfer revenue 1	-	-	-	13,917,178	13,917,178	This relates to donation received from Cogta which was not budgeted for.
<b>Total revenue from non-exchange transactions</b>	<b>293,865,000</b>	<b>-</b>	<b>293,865,000</b>	<b>292,918,922</b>	<b>(946,078)</b>	
<b>Total revenue</b>	<b>336,669,924</b>	<b>7,796,925</b>	<b>344,466,849</b>	<b>341,897,246</b>	<b>(2,569,603)</b>	
<b>Expenditure</b>						
Personnel	(121,507,403)	23,639,004	(97,868,399)	(113,192,168)	(15,323,769)	The municipality has hired more employees to reduce consultancy fees. As result of staff turnover, overtime has made an impact.
Remuneration of councillors	(7,619,816)	1,283,881	(6,335,935)	(7,161,143)	(825,208)	An employment of full-time Councillors.

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## 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
Depreciation and amortisation	(18,985,357)	-	(18,985,357)	(15,312,280)	3,673,077	There variance is due to reassessment of assets useful lives during the year
Impairment loss/ Reversal of impairments	-	-	-	(3,875,041)	(3,875,041)	Infrastructure and community assets were impaired as a result of annual assessment.
Finance costs	(1,264,000)	560,000	(704,000)	(419,122)	284,878	
Lease rentals on operating lease	-	-	-	(146,670)	(146,670)	
Debt Impairment	-	-	-	(31,477,056)	(31,477,056)	Gross debtors increased and there was low recovery rate resulting in significant impairment.
Bulk purchases	(21,000,000)	(194,000)	(21,194,000)	(19,849,650)	1,344,350	Less KL was purchased during the year in comparison to prior year.
Contracted Services	(18,368,794)	(15,478,160)	(33,846,954)	(54,708,577)	(20,861,623)	The costs of migration to new financial system has increased contracted services. Consultant recovering VAT from previous financial years increased the commission amounts
General Expenses	(65,905,345)	5,585,388	(60,319,957)	(36,103,018)	24,216,939	
<b>Total expenditure</b>	<b>(254,650,715)</b>	<b>15,396,113</b>	<b>(239,254,602)</b>	<b>(282,244,725)</b>	<b>(42,990,123)</b>	
<b>Operating surplus</b>	<b>82,019,209</b>	<b>23,193,038</b>	<b>105,212,247</b>	<b>59,652,521</b>	<b>(45,559,726)</b>	
Contributions to capital expenditure	(103,250,000)	-	(103,250,000)	-	103,250,000	
Fair value adjustments	-	-	-	9,000	9,000	
Actuarial gains/losses	-	-	-	(44,973)	(44,973)	
Share of surpluses or deficits from associates	-	-	-	(43,812,986)	(43,812,986)	
Loss on non-current assets held for sale or disposal groups	-	-	-	(89,164)	(89,164)	
<b>Total gains and losses</b>	<b>(103,250,000)</b>	<b>-</b>	<b>(103,250,000)</b>	<b>(43,938,123)</b>	<b>59,311,877</b>	
<b>Surplus or deficit after capital expenditure</b>	<b>(21,230,791)</b>	<b>23,193,038</b>	<b>1,962,247</b>	<b>15,714,398</b>	<b>13,752,151</b>	

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

	2022	2021
	Note(s)	

### 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.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Materiality

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

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

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

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

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

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

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

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

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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

#### 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.

#### 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 16 - Provisions.

#### Useful lives of waste and water network and other assets

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

#### Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

#### Effective interest rate

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

#### Allowance for doubtful debts

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

#### Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

### 1.5 Property, plant and equipment

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.

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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

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

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

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

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

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

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

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

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

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	indefinite
Buildings	Straight-line	50
Plant and machinery	Straight-line	5-15 years
Furniture and fixtures	Straight-line	5
Motor vehicles	Straight-line	5
Office equipment	Straight-line	3
Infrastructure	Straight-line	15-120 years
Community	Straight-line	15-50 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.

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.

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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

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.

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

### 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.

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

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

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

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:

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.6 Intangible assets (continued)

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Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3

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

Intangible assets are derecognised:

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

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

### 1.7 Financial instruments

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

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

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability 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 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, 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.

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

A financial asset is:

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

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

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



# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Financial Assets

##### Trade and Other Receivables

Trade and other receivables are categorised as financial assets: loans and receivables including statutory receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. The fair value of Debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.

Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

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.

##### Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

#### Financial liabilities

##### Trade and other payables from exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. The fair value of creditors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

##### Borrowings and other financial liabilities

Borrowings/loans payable are financial liabilities, other than short-term payables on normal credit terms. Borrowings are recognised initially at fair value, net transaction costs incurred. Borrowings are subsequently stated at amortised cost. Long-term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Other financial liabilities are carried at amortised cost.

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

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

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

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

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

### 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.

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.8 Leases (continued)

#### Finance leases - lessee

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

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

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

#### 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.

### 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.

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.

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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

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

Useful life is either:

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

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

#### 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.

#### 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.

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

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

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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

#### 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 entity 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.

### 1.11 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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

- the number of production or similar units expected to be obtained from the asset by the municipality.

### 1.12 Employee benefits

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

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

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

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

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

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

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

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

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.12 Employee benefits (continued)

#### Post-employment benefits

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

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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

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

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

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

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

# Amajuba District Municipality

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## Accounting Policies

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### 1.12 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.12 Employee benefits (continued)

- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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

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

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

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

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

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

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

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

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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



# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.12 Employee benefits (continued)

#### Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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

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

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

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

### 1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.13 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

### 1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.15 Revenue from exchange transactions

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

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

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

#### Measurement

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

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

#### Sale of goods

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

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

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.15 Revenue from exchange transactions (continued)

#### 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 surveys of work performed.

#### Interest

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

### 1.16 Revenue from non-exchange transactions

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

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

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

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

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

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

#### Recognition

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

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

#### Gifts and donations, including goods in-kind

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

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.17 Comparative figures

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

### 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.

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

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.

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

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

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

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. Irregular Expenditure is disclosed inclusive of Value Added Tax (VAT) in the notes.

### 1.21 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.21 Segment information (continued)

#### Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

### 1.22 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 a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2021 to 6/30/2022.

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

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

### 1.23 Related parties

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

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

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.

### 1.24 Events after reporting date

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

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

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

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.24 Events after reporting date (continued)

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.

### 1.25 Investment in Associate

An investment in an associate is carried at cost using the equity method.

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

Amajuba District owns 33% of uThukela Water (Pty) Ltd, which is jointly controlled with Newcastle Local Municipality and uMzinyathi District Municipality

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

2022

2021

### 2. New standards and interpretations

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	April 1, 2019	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	April 1, 2019	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	April 1, 2019	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	April 1, 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	April 1, 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	April 1, 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	April 1, 2023	Unlikely there will be a material impact

**Amajuba District Municipality**  
Annual Financial Statements for the year ended June 30, 2022

**Notes to the Annual Financial Statements**

Figures in Rand

**3. Property, plant and equipment**

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	569,591	-	569,591	569,591	-	569,591
Buildings	25,626,900	(9,575,465)	16,051,435	25,618,715	(8,970,578)	16,648,137
Plant and machinery	20,583,982	(10,163,375)	10,420,607	21,534,062	(9,152,298)	12,381,764
Furniture and office equipment	14,115,085	(11,849,629)	2,265,456	12,548,346	(11,035,462)	1,512,884
Motor vehicles	15,283,468	(11,361,265)	3,922,203	15,283,468	(10,240,670)	5,042,798
Leased assets	100,626	(22,107)	78,519	402,220	(306,421)	95,799
Recreational assets	33,538,120	(23,010,728)	10,527,392	36,239,742	(21,882,362)	14,357,380
Work in progress	336,486,148	-	336,486,148	268,566,063	-	268,566,063
Building under construction	32,381,756	-	32,381,756	30,618,033	-	30,618,033
Infrastructure Assets	412,541,639	(286,794,234)	125,747,405	395,678,239	(276,556,027)	119,022,212
<b>Total</b>	<b>891,227,315</b>	<b>(352,776,803)</b>	<b>538,450,512</b>	<b>807,058,479</b>	<b>(338,243,818)</b>	<b>468,814,661</b>



## Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

### Notes to the Annual Financial Statements

Figures in Rand

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

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Transfers	Donations	Depreciation	Impairment loss	Total
Land	569,591	-	-	-	-	-	569,591
Buildings	16,648,137	9,000	-	-	(598,786)	(6,916)	16,051,435
Plant and machinery	12,381,764	-	-	(17,759)	(1,943,398)	-	10,420,607
Furniture and office equipment	1,512,884	1,566,739	-	-	(813,412)	(755)	2,265,456
Motor vehicles	5,042,798	-	-	-	(1,120,595)	-	3,922,203
Leased assets	95,799	100,626	-	(71,404)	(46,502)	-	78,519
Community	14,357,380	-	-	-	(1,128,366)	(2,701,622)	10,527,392
Work in progress	268,566,063	71,554,878	(2,946,222)	-	-	(688,571)	336,486,148
Building under construction	30,618,033	1,763,723	-	-	-	-	32,381,756
Infrastructure assets	119,022,212	-	2,946,222	13,917,178	(9,661,031)	(477,176)	125,747,405
	<b>468,814,661</b>	<b>74,994,966</b>	<b>-</b>	<b>13,828,015</b>	<b>(15,312,090)</b>	<b>(3,875,040)</b>	<b>538,450,512</b>

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Transfers received	Transfers out	Other changes, movements	Depreciation	Impairment loss	Total
Land	569,591	-	-	-	-	-	-	569,591
Buildings	17,066,176	-	-	-	170,304	(588,343)	-	16,648,137
Plant and machinery	11,601,836	2,914,113	-	-	-	(2,134,185)	-	12,381,764
Furniture and office equipment	1,978,449	742,612	-	-	(170,304)	(1,037,873)	-	1,512,884
Motor vehicles	1,103,633	5,097,525	-	-	-	(1,158,360)	-	5,042,798
Leased assets	193,379	-	-	-	-	(97,580)	-	95,799
Community	15,823,925	1,055	-	-	-	(1,467,600)	-	14,357,380
Work in progress	196,648,063	78,153,893	-	(6,235,893)	-	-	-	268,566,063
Building under construction	30,489,026	129,007	-	-	-	-	-	30,618,033
Infrastructure Assets	130,549,763	49,184	4,504,617	-	-	(11,308,335)	(4,773,017)	119,022,212
	<b>406,023,841</b>	<b>87,087,389</b>	<b>4,504,617</b>	<b>(6,235,893)</b>	<b>-</b>	<b>(17,792,276)</b>	<b>(4,773,017)</b>	<b>468,814,661</b>

#### Pledged as security

No property, plant and equipment has been pledged as security for any financial liabilities

#### Assets subject to finance lease (Net carrying amount)

Maintenance of plant and equipment

78,519

95,799

#### Other information

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

2022 2021

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

#### Other information

At year end the municipality undertook a conditional assessment of fixed assets, which culminated in the additional decrease/increase in the remaining useful lives of assets. Property, plant and equipment were impaired by;

3,875,041 4,773,017

At year end, the municipality undertook a conditional assessment of fixed assets, which culminated in the additional decrease/ increase in the remaining useful lives of assets.

Property, plant and equipment were impaired by R3 875 040,91 (2021: R4 773 016,79) as a result of conditional assessment.

Presented on the note to prior period error are adjustments addressing qualification matters and inconsistencies identified during reviews of the fixed asset registers

#### Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	268,566,064	30,618,033	299,184,097
Additions/capital expenditure	71,554,877	1,763,723	73,318,600
Impairment	(688,571)	-	(688,571)
Transferred to completed items	(2,946,222)	-	(2,946,222)
	<b>336,486,148</b>	<b>32,381,756</b>	<b>368,867,904</b>

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

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	196,648,063	30,489,026	227,137,089
Additions/capital expenditure	78,153,894	129,007	78,282,901
Transferred to completed items	(6,235,893)	-	(6,235,893)
	<b>268,566,064</b>	<b>30,618,033</b>	<b>299,184,097</b>

#### Expenditure incurred to repair and maintain property, plant and equipment

Maintenance of property plant and equipment 3,411,668 9,439,208

There are no projects that were identified as taking significantly longer to complete than expected.

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.

Work in progress was impaired by R688 571 (2021:R0) as a result of conditional assessment.

At year end, the municipality had committed itself to R41 300 232 (2021: R115 936 655) authorised capital expenditure to be incurred in the future for work in progress

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.

## Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

### Notes to the Annual Financial Statements

Figures in Rand

#### 4. Intangible assets

	2022		2021			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3,977,665	(3,977,402)	263	3,977,665	(3,976,395)	1,270
Intangible assets under development	2,832,332	-	2,832,332	2,832,332	-	2,832,332
<b>Total</b>	<b>6,809,997</b>	<b>(3,977,402)</b>	<b>2,832,595</b>	<b>6,809,997</b>	<b>(3,976,395)</b>	<b>2,833,602</b>

#### Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	1,270	(1,007)	263
Intangible assets under development	2,832,332	-	2,832,332
	<b>2,833,602</b>	<b>(1,007)</b>	<b>2,832,595</b>

#### Reconciliation of intangible assets - 2021

	Opening balance	Transfers	Amortisation	Total
Computer software, other	26,655	-	(25,385)	1,270
Intangible assets under development	-	2,832,332	-	2,832,332
	<b>26,655</b>	<b>2,832,332</b>	<b>(25,385)</b>	<b>2,833,602</b>

#### Pledged as security

No intangible assets has been pledged as security for any financial liabilities.

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

2022

2021

### 4. Intangible assets (continued)

#### Other information

Presented on the note to prior period error are adjustment is the impairment reversal of Disaster Management Software. The municipal reversed the impairment since the disaster management centre building construction is no longer halted.

### 5. Interests in other entities

#### Investments in associates

Name	Determination of ownership interest	% ownership interest 2022	% ownership interest 2021	Carrying amount 2022	Carrying amount 2021
Uthukela Water (Pty) Ltd	Unlisted Agreement	33.00 %	33.00 %	137,741,439	181,554,425
				<u>137,741,439</u>	<u>181,554,425</u>
				<u>137,741,439</u>	<u>181,554,425</u>

#### Movements in carrying amount

Opening balance	181,554,425	210,941,068
Share of surplus/(deficit)	(43,812,986)	(29,386,643)
	<u>137,741,439</u>	<u>181,554,425</u>

#### Summary of controlled entity's interest in associate

Total assets	888 722 854	983 651 563
Total liabilities	471 837 513	433 999 596
Revenue	182 411 478	166 797 465
Surplus/(deficit)	(132 766 625)	( 89 050 432)

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>6. Employee benefit obligations</b>		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(435,000)	(576,350)
Fair value of plan assets	41,600	55,485
Fair value of reimbursement rights	(36,100)	(52,502)
Actuarial (gain)/loss	(3,597)	138,367
	<b>(433,097)</b>	<b>(435,000)</b>
Non-current liabilities	(391,259)	(393,400)
Current liabilities	(43,942)	(41,600)
	<b>(435,201)</b>	<b>(435,000)</b>
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	(406,753)	(459,255)
Net expense recognised in the statement of financial performance	36,100	52,502
	<b>(370,653)</b>	<b>(406,753)</b>
Net expense recognised in the statement of financial performance		
Interest cost	36,100	52,502
Calculation of actuarial gains and losses		
Actuarial (gains) losses – Obligation	-	138,367
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	11.20 %	9.57 %
Consumer price inflation	6.80 %	4.41 %
Health care cost inflation	8.30 %	5.91 %
Net discount rate	2.68 %	3.46 %
CPI	6.74 %	4.79 %
Salary increase rate	7.74 %	5.79 %
<b>7. Inventories</b>		
Maintenance materials	1,569,480	1,967,307
Water for distribution	130,249	174,995
	<b>1,699,729</b>	<b>2,142,302</b>

### Inventory pledged as security

No inventory has been pledged as security for any financial liabilities

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>8. Receivables from exchange</b>		
Trade debtors	10,500	10,500
Consumer debtors - Water	5,473,130	2,380,536
Consumer debtors - Waste water	1,419,040	440,112
	<b>6,902,670</b>	<b>2,831,148</b>
<b>Statutory receivables general information</b>		
<b>9. Receivables from non-exchange transactions</b>		
Other	14,852	14,852
<b>10. VAT receivable</b>		
VAT	8,612,721	33,976,014
<b>11. Consumer debtors disclosure</b>		
<b>Gross balances</b>		
Consumer debtors - Water	118,836,585	95,959,077
Consumer debtors - Waste water	47,722,423	35,051,353
	<b>166,559,008</b>	<b>131,010,430</b>
<b>Less: Allowance for impairment</b>		
Consumer debtors - Water	(113,363,455)	(93,578,541)
Consumer debtors - Waste water	(46,303,383)	(34,611,241)
	<b>(159,666,838)</b>	<b>(128,189,782)</b>
<b>Net balance</b>		
Consumer debtors - Water	5,473,130	2,380,536
Consumer debtors - Waste water	1,419,040	440,112
	<b>6,892,170</b>	<b>2,820,648</b>
<b>Included in above is receivables from exchange transactions</b>		
Water	118,836,585	95,959,077
Waste water	47,722,423	35,051,353
	<b>166,559,008</b>	<b>131,010,430</b>
<b>Net balance</b>	<b>166,559,008</b>	<b>131,010,430</b>
<b>Water</b>		
Current (0 -30 days)	3,408,604	3,097,428
31 - 60 days	2,727,484	1,250,849
61 - 90 days	2,340,905	1,853,492
91 - 120 days	2,167,519	1,188,503
121 - 365 days	1,954,189	1,518,526
> 365 days	98,814,489	82,402,894
	<b>111,413,190</b>	<b>91,311,692</b>

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>11. Consumer debtors disclosure (continued)</b>		
<b>Waste water</b>		
Current (0 -30 days)	924,389	840,034
31 - 60 days	714,608	216,423
61 - 90 days	742,234	692,308
91 - 120 days	614,716	401,536
121 - 365 days	584,121	597,199
> 365 days	33,139,616	28,432,118
	<b>36,719,684</b>	<b>31,179,618</b>
<b>Other (specify)</b>		
Current (0 -30 days)	2,127,255	575,212
31 - 60 days	914,015	605,530
61 - 90 days	874,798	635,448
91 - 120 days	869,681	615,700
121 - 365 days	838,846	611,684
> 365 days	12,801,539	2,765,273
	<b>18,426,134</b>	<b>5,808,847</b>



# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>11. Consumer debtors disclosure (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	5,579,691	3,412,123
31 - 60 days	3,723,764	1,115,203
61 - 90 days	3,541,445	2,778,156
91 - 120 days	3,283,081	2,038,310
121 - 365 days	3,006,298	2,571,140
> 365 days	132,035,704	102,957,712
	<u>151,169,983</u>	<u>114,872,644</u>
Less: Allowance for impairment	(146,806,684)	(114,445,862)
	<u><b>4,363,299</b></u>	<u><b>426,782</b></u>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	185,903	340,346
31 - 60 days	239,820	342,003
61 - 90 days	233,225	226,378
91 - 120 days	192,373	243,544
121 - 365 days	196,227	234,513
> 365 days	6,046,411	7,113,499
	<u>7,093,959</u>	<u>8,500,283</u>
Less: Allowance for impairment	(6,332,278)	(6,758,596)
	<u><b>761,681</b></u>	<u><b>1,741,687</b></u>
<b>National and provincial government</b>		
Current (0 -30 days)	1,001,703	1,046,573
31 - 60 days	391,527	1,043,306
61 - 90 days	183,208	316,981
91 - 120 days	175,776	208,782
121 - 365 days	174,416	150,770
> 365 days	6,368,436	6,312,595
	<u>8,295,066</u>	<u>9,079,007</u>
Less: Allowance for impairment	(6,527,877)	(6,985,324)
	<u><b>1,767,189</b></u>	<u><b>2,093,683</b></u>
<b>Total</b>		
Current (0 -30 days)	6,767,297	4,759,503
31 - 60 days	4,355,111	2,384,757
61 - 90 days	3,957,878	3,245,581
91 - 120 days	3,651,230	2,353,303
121 - 365 days	3,376,941	2,904,889
> 365 days	144,450,551	115,362,396
	<u>166,559,008</u>	<u>131,010,429</u>
Less: Allowance for impairment	(159,666,839)	(128,189,783)
	<u><b>6,892,169</b></u>	<u><b>2,820,646</b></u>
<b>Less: Allowance for impairment</b>		
Current (0 -30 days)	(6,433,945)	(3,414,576)

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>11. Consumer debtors disclosure (continued)</b>		
31 - 60 days	(4,355,111)	(2,085,620)
61 - 90 days	(3,957,878)	(3,181,248)
91 - 120 days	(3,651,230)	(2,205,740)
121 - 365 days	(3,376,941)	(2,727,409)
> 365 days	(137,891,734)	(114,575,190)
	<b>(159,666,839)</b>	<b>(128,189,783)</b>
<b>Total debtor past due but not impaired</b>		
31 - 60 days	4,355,111	2,085,620
61 - 90 days	3,957,878	3,181,248
	<b>8,312,989</b>	<b>5,266,868</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(128,189,783)	(102,144,275)
Contributions to allowance	(31,477,056)	(26,045,508)
	<b>(159,666,839)</b>	<b>(128,189,783)</b>

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

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	2022	2021
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### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	51,359	40,475
Bank balances	7,148,092	7,530,596
Short-term deposits	64,023,751	37,010,000
	<u>71,223,202</u>	<u>44,581,071</u>

## Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

### Notes to the Annual Financial Statements

2022 2021

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

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2022	June 30, 2021	June 30, 2020
Absa Cheque Account - 405 347 2593	455,273	7,530,596	1,944,843	455,273	7,530,596	1,944,843
Standard Bank Main - 062 156 624	6,692,820	-	-	6,692,820	-	-
Standard Bank Call Deposit - 068 448 3090 02	2,302,383	2,708,184	2,510,054	2,302,383	2,708,184	2,510,054
Standard Bank Call Deposit - 068 448 3090 03	-	-	2,767,259	-	-	2,767,259
Standard Bank Call Deposit - 068 448 3090 04	-	-	1,016	-	-	1,016
Standard Bank Call Deposit - 068 448 3090 05	-	-	807,301	-	-	807,301
Standard Bank Call Deposit - 068 448 3090 08	2,367,786	6,056,747	5,848,207	2,367,786	6,056,747	5,848,207
Standard Bank Call Deposit - 068 448 3090 06	11,566	-	-	11,566	-	-
Standard Bank Call Deposit - 068 448 3090 09	-	-	126,853	-	-	126,853
Standard Bank Call Deposit - 068 448 3090 10	1,750,818	6,103,207	-	1,750,818	6,103,207	-
Standard Bank Call Deposit - 068 448 3090 11	53,853	-	-	53,853	-	-
Standard Bank Call Deposit - 068 448 3090 12	-	-	54,193	-	-	54,193
Standard Bank Call Deposit - 068 448 3090 13	774,545	3,595,341	24,417,274	774,545	3,595,341	24,417,274
Standard Bank Call Deposit - 068 448 3090 14	-	-	1,315,635	-	-	1,315,635
Standard Bank Call Deposit - 068 448 3090 15	-	-	601,421	-	-	601,421

## Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

### Notes to the Annual Financial Statements

					2022	2021
<b>12. Cash and cash equivalents (continued)</b>						
Standard Bank Call Deposit - 068 448 3090 16	14,791,617	9,873,436	24,229,391	14,791,617	9,873,436	24,229,391
Standard Bank Call Deposit - 068 448 3090 17	-	-	2,553,176	-	-	2,553,176
Standard Bank Call Deposit - 068 448 3090 18	-	-	93,883	-	-	93,883
Standard Bank Call Deposit - 068 448 3090 19	-	-	560,963	-	-	560,963
Standard Bank Call Deposit - 068 448 3090 20	662,727	-	2,344,547	662,727	-	2,344,547
Standard Bank Call Deposit - 068 448 3090 21	-	-	829,407	-	-	829,407
Standard Bank Call Deposit - 068 448 3090 38	5,132,009	-	-	5,132,009	-	-
FNB Call Deposit - 62 797 8868 38	333,513	321,468	7,243,555	333,513	321,468	7,243,555
Investec Call Deposit - 1100 5016 86500	-	-	466,244	-	-	466,244
Investec Call Deposit - 1100 5016 86501	-	-	703,211	-	-	703,211
Investec Call Deposit - 1100 5016 86503	-	-	37,324	-	-	37,324
Investec Call Deposit - 1100 5016 86505	-	-	79,436	-	-	79,436
Investec Call Deposit - 1100 5016 86506	-	-	5,797	-	-	5,797
Investec Call Deposit - 1100 5016 86508	-	-	162,083	-	-	162,083
Investec Call Deposit - 1100 5016 86510	-	-	443,995	-	-	443,995
Investec Call Deposit - 1100 5016 86511	-	-	303,987	-	-	303,987
Investec Call Deposit - 1100 5016 86512	-	-	607,897	-	-	607,897

## Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

### Notes to the Annual Financial Statements

				2022	2021
<b>12. Cash and cash equivalents (continued)</b>					
Investec Call Deposit - 1100 5016 86513	1,869,516	1,801,109	1,741,579	1,869,516	1,801,109
Nedbank Call Deposit - 0378 8112 1661 000002	-	-	127,895	-	127,895
Nedbank Call Deposit - 0378 8112 40670 00003	6,642,811	6,508,410	6,293,295	6,642,811	6,293,295
Nedbank Call Deposit - 0371 6500 88195 000018	-	38,109	-	-	38,109
ABSA Call Deposit - 9370789666	16,171,566	-	-	16,171,566	-
Nedbank Call Deposit - 0371 6500 88195 000022	-	3,889	-	-	3,889
ABSA Call Deposit - 9364 7430 40	8,807,918	-	-	8,807,918	-
ABSA Call Deposit - 9369 9834 37	2,351,042	-	-	2,351,042	-
<b>Total</b>	<b>71,171,763</b>	<b>44,540,496</b>	<b>89,221,721</b>	<b>71,171,763</b>	<b>89,221,721</b>

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>13. Finance lease obligation</b>		
Minimum lease payments due		
- within one year	58,080	36,852
- in second to fifth year inclusive	31,680	-
	<u>89,760</u>	<u>36,852</u>
less: future finance charges	10,426	725
Present value of minimum lease payments	<u>100,186</u>	<u>37,577</u>
Present value of minimum lease payments due		
- within one year	58,080	36,127
- in second to fifth year inclusive	31,680	-
	<u>89,760</u>	<u>36,127</u>

## 14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Water Services Infrastructure Grant	19,470,429	2,015,731
Councilors Training Grant	-	70,163
KZN Cogta Massification grant	865,731	865,731
Disaster Management Grant	6,771,141	1,771,141
Rural Road Asset Management Grant	578,825	425,104
	<u>27,686,126</u>	<u>5,147,870</u>

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

These amounts are invested in a ring-fenced investment until utilised.

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>15. Other financial liabilities</b>		
<b>At amortised cost</b>		
DBSA Loan	4,088,117	5,228,946
Terms and conditions		
<b>Non-current liabilities</b>		
At amortised cost	2,843,580	4,088,812
<b>Current liabilities</b>		
At amortised cost	1,244,537	1,140,134
<b>Financial liabilities at amortised cost</b>		



**Amajuba District Municipality**  
Annual Financial Statements for the year ended June 30, 2022

**Notes to the Annual Financial Statements**

Figures in Rand

**16. Provisions**

**Reconciliation of provisions - 2022**

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Legal proceedings	-	601,276	-	-	-	601,276
Provision for leave days	9,785,489	712,482	(1,402,756)	-	-	9,095,010
Long service awards	6,802,000	670,776	(509,000)	608,000	224	7,572,000
Provision for worksmen compensation	6,016,969	996,091	-	-	-	7,013,060
	<b>22,604,458</b>	<b>2,980,625</b>	<b>(1,911,756)</b>	<b>608,000</b>	<b>224</b>	<b>24,281,346</b>

**Reconciliation of provisions - 2021**

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Provision for leave days	9,064,779	2,510,576	(1,789,866)	-	-	9,785,489
Long service awards	4,943,088	1,673,824	(438,620)	419,944	203,764	6,802,000
Provision for worksmen compensation	5,102,205	914,764	-	-	-	6,016,969
	<b>19,110,072</b>	<b>5,099,164</b>	<b>(2,228,486)</b>	<b>419,944</b>	<b>203,764</b>	<b>22,604,458</b>

Non-current liabilities  
Current liabilities

	4,234,591	4,234,591
	22,852,268	18,369,867
	<b>27,086,859</b>	<b>22,604,458</b>

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>17. Payables from exchange transactions</b>		
Trade payables	56,872,893	72,520,460
Payments received in advance	2,533,415	2,706,463
Retentions	9,348,247	5,276,901
Deposits control account	(1,259,897)	(1,507,110)
Consumer deposits	300,267	253,349
Salaries control	1,039,659	219,856
	<b>68,834,584</b>	<b>79,469,919</b>

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>18. Revenue</b>		
Sale of goods	238,633	179,350
Service charges	34,907,043	28,783,615
Rental of facilities and equipment	46,566	19,780
Other income	253,293	272,349
Interest received	13,532,789	10,529,297
Government grants & subsidies	279,001,744	293,062,726
Donations	13,917,178	-
	<b>341,897,246</b>	<b>332,847,117</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Sale of goods	238,633	179,350
Service charges	34,907,043	28,783,615
Rental of facilities and equipment	46,566	19,780
Other income	253,293	272,349
Interest received - investment	13,532,789	10,529,297
	<b>48,978,324</b>	<b>39,784,391</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
Taxation revenue		
Licences or permits	-	30,000
Transfer revenue		
Government grants & subsidies	279,001,744	293,062,726
Donations	13,917,178	-
	<b>292,918,922</b>	<b>293,092,726</b>
<b>19. Service charges</b>		
Sale of water	25,877,468	22,826,854
Sewerage and sanitation charges	9,029,575	5,956,761
	<b>34,907,043</b>	<b>28,783,615</b>
<b>20. Rental of facilities and equipment</b>		
Facilities and equipment		
Rental of facilities	46,566	19,780

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>21. Lease rentals on operating lease</b>		
Equipment		
Contractual amounts	146,670	50,400
<b>22. Other income</b>		
Bad debts recovered	-	44,064
Collection charges	5,378	12,992
SDL levy refund	247,915	137,650
Staff recoveries	-	77,643
	<b>253,293</b>	<b>272,349</b>
<b>23. Investment revenue</b>		
Interest revenue		
Bank	3,758,442	3,722,157
Interest charged on trade and other receivables	9,774,347	6,807,140
	<b>13,532,789</b>	<b>10,529,297</b>

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>24. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	184,017,000	185,228,000
Finance Management Grant	2,550,000	2,400,001
EPWP	1,693,000	1,850,000
RRAMS	1,676,175	3,368,118
Councillors Training	70,163	-
	<b>190,006,338</b>	<b>192,846,119</b>
<b>Capital grants</b>		
Accelerated Intervention Water Supply Programme	5,100,000	-
Municipal Infrastructure Grant	43,250,000	45,422,259
Water Services Infrastructure Grant	40,645,406	54,794,348
	<b>88,995,406</b>	<b>100,216,607</b>
	<b>279,001,744</b>	<b>293,062,726</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	95,039,780	107,804,726
Unconditional grants received	184,017,000	185,228,000
	<b>279,056,780</b>	<b>293,032,726</b>

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

2022 2021

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

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. Also in terms of Section 74 (2)(i) of the Municipal act requires the extent of subsidisation of tariffs for poor households and other categories of users to fully disclosed.

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	-	5,143,259
Current-year receipts	43,250,000	40,279,000
Conditions met - transferred to revenue	(43,250,000)	(45,422,259)
	-	-

#### Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	2,016,422	6,810,079
Current-year receipts	60,000,000	50,000,000
Conditions met - transferred to revenue	(40,645,407)	(54,793,657)
Roll-over application not approved	(1,900,586)	-
	<b>19,470,429</b>	<b>2,016,422</b>

Conditions still to be met - remain liabilities (see note 14).

#### EPWP

Current-year receipts	1,693,000	1,850,000
Conditions met - transferred to revenue	(1,693,000)	(1,850,000)
	-	-

#### Councillors training grant

Balance unspent at beginning of year	70,163	70,163
Conditions met - transferred to revenue	(70,163)	-
	-	<b>70,163</b>

#### Refurbishment of Boreholes & Pipeline Grant

Balance unspent at beginning of year	865,731	865,731
--------------------------------------	---------	---------

Conditions still to be met - remain liabilities (see note 14).

#### KZN Cogta Disaster Management Grant

Balance unspent at beginning of year	1,771,141	1,771,141
Current-year receipts	5,000,000	-
	<b>6,771,141</b>	<b>1,771,141</b>

Conditions still to be met - remain liabilities (see note 14).

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>24. Government grants and subsidies (continued)</b>		
<b>Rural Road Asset Management Systems Grant (RRAMS)</b>		
Balance unspent at beginning of year	425,086	1,570,222
Current-year receipts	2,255,000	2,223,000
Conditions met - transferred to revenue	(1,676,175)	(3,368,136)
Roll-over application not approved	(425,104)	-
	<u>578,807</u>	<u>425,086</u>
Conditions still to be met - remain liabilities (see note 14).		
<b>Finance Management grant</b>		
Current-year receipts	2,550,000	2,400,000
Conditions met - transferred to revenue	(2,550,000)	(2,400,000)
	<u>-</u>	<u>-</u>

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>25. Employee related costs</b>		
Basic	70,848,862	63,194,567
Bonus	4,993,374	4,688,020
Medical aid - company contributions	4,712,460	4,039,307
UIF	422,407	324,677
Leave pay provision charge	848,257	2,936,263
Telephone and cellphone allowances	682,589	573,597
Overtime payments	10,522,276	9,436,866
Long-service awards	162,224	1,235,204
Car allowance	6,559,225	5,719,294
Housing benefits and allowances	511,907	489,876
Post-retirement medical interest	563,004	416,961
Bargain council	21,110	18,939
Group life insurance	346,414	351,969
Standby allowances	3,403,667	3,075,807
Pension	8,594,392	8,012,527
	<b>113,192,168</b>	<b>104,513,874</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	-	574,760
Cellphone Allowance	-	10,500
Acting Allowance	-	202,578
	-	<b>787,838</b>
There was no full time Municipal Manager for the full financial period.		
<b>Remuneration of Chief Financial Officer</b>		
Annual Remuneration	846,307	579,291
Cellphone Allowance	19,500	12,000
Acting Allowance	56,769	-
	<b>922,576</b>	<b>591,291</b>
<b>Remuneration of Director Corporate Services</b>		
Annual Remuneration	338,629	811,416
Cellphone Allowance	4,500	18,000
Acting Allowance	112,949	202,578
	<b>456,078</b>	<b>1,031,994</b>



# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>25. Employee related costs (continued)</b>		
<b>Remuneration of Director Engineering Services</b>		
Annual Remuneration	811,416	405,780
Cellphone Allowance	18,000	9,000
Bonuses	20,628	-
	<b>850,044</b>	<b>414,780</b>
Bonus for Director Engineering is the prorata bonus relating to the period prior to the appointment as Director.		
<b>Remuneration of Director Planning and Development</b>		
Annual Remuneration	811,416	540,944
Cellphone Allowance	18,000	12,000
	<b>829,416</b>	<b>552,944</b>
<b>Remuneration of Director Community services</b>		
Annual Remuneration	751,048	751,048
Bonus	62,587	62,587
Cellphone Allowance	24,000	18,000
Acting Allowance	111,012	-
	<b>948,647</b>	<b>831,635</b>
<b>26. Remuneration of councillors</b>		
Mayor	687,253	1,014,042
Deputy Mayor	720,314	819,800
Mayoral Committee Members	1,542,735	1,972,286
Speaker	421,418	843,906
Councillors	3,789,422	2,565,617
	<b>7,161,142</b>	<b>7,215,651</b>
<b>In-kind benefits</b>		
The Executive Mayor, Deputy Mayor, Speaker, Chief Whip, MPAC Chairperson and Mayoral Committee Members are full-time. They are provided with office space and secretarial support at the cost of the Council.		
The Executive Mayor, Deputy Mayor and Speaker are each allocated Council owned vehicles for official duties.		
The Executive Mayor, Deputy Mayor and Speaker are each provided two full-time bodyguards. Other council members are provided with bodyguards upon Council approval after threat and risk analysis		
<b>27. Depreciation and amortisation</b>		
Property, plant and equipment	15,311,273	17,792,276
Intangible assets	1,007	25,385
	<b>15,312,280</b>	<b>17,817,661</b>

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>28. Impairment of assets</b>		
Impairments		
Property, plant and equipment	3,875,041	4,773,017
<b>29. Finance costs</b>		
Non-current borrowings	389,331	484,421
other	29,791	86,528
	<b>419,122</b>	<b>570,949</b>
<b>30. Bulk purchases</b>		
Water	19,849,650	20,247,976

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>31. Contracted services</b>		
<b>Presented previously</b>		
Information Technology Services	2,772	12,568
<b>Outsourced Services</b>		
Administrative and Support Staff	635,014	955,472
Catering Services	38,900	4,800
Hygiene Services	19,410	350
Organic and Building Refuse Removal	106,865	-
Professional Staff	216	5,042
Security Services	8,719,244	8,183,121
Sewerage Services	1,132,580	3,517,545
Water Tankers	8,739,365	6,392,265
<b>Consultants and Professional Services</b>		
Business and Advisory	17,462,856	9,883,740
Infrastructure and Planning	4,205,612	2,289,421
Engineering Services	3,383,976	8,534,986
Legal Costs	1,440,260	256,158
<b>Contractors</b>		
Employee Wellness	242,420	114,025
Fire Services	247,846	183,900
Gardening Services	13,868	55,862
Maintenance of Buildings and Facilities	271,119	379,755
Maintenance of Equipment	5,278,465	3,638,603
Maintenance of Unspecified Assets	2,395,100	4,663,504
Pest Control and Fumigation	162,525	90,783
Transportation	-	708,287
Sports and Recreation	210,164	125,235
	<b>54,708,577</b>	<b>49,995,422</b>

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>32. General expenses</b>		
Advertising	1,030,306	542,743
Auditors remuneration	5,175,452	3,654,838
Bank charges	427,403	504,980
Consulting and professional fees	601,276	-
Entertainment	79,677	148,401
Hire	872,096	505,937
Insurance	3,098,990	1,211,516
Conferences and seminars	1,444,398	-
IT expenses	1,659,792	3,161,762
Levies	1,017,653	945,081
Fuel and oil	3,984,593	3,538,697
Postage and courier	706,777	436,248
Printing and stationery	151,262	104,823
Protective clothing	220,841	231,249
Subscriptions and membership fees	1,349,116	2,272,156
Telephone and fax	1,322,237	730,022
Transport and freight	10,449	22,400
Travel - local	1,513,235	458,002
Electricity	8,758,277	9,601,738
Utilities - Other	1,070,699	854,585
Other expenses	1,608,489	1,815,760
	<b>36,103,018</b>	<b>30,740,938</b>
<b>33. Auditors' remuneration</b>		
Fees	5,175,452	3,654,838

## Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

### Notes to the Annual Financial Statements

	2022	2021
<b>34. Cash generated from operations</b>		
Surplus	15,714,398	43,346,964
<b>Adjustments for:</b>		
Depreciation and amortisation	15,312,280	17,817,661
Gain on discontinued operations	89,164	-
Income from equity accounted investments	43,812,986	29,386,642
Inventory & PPE adjustments	(9,000)	(1,893,282)
Impairment of assets	3,875,041	4,773,017
Movements in provisions	4,482,401	3,494,386
Actuarial loss - long service awards	224	203,764
Interest cost post retirement medical aid	36,100	52,502
Actuarial (gain)/loss post retirement medical aid	3,597	(138,367)
Expected benefit payments	41,600	55,485
Interest costs long service awards	608,000	419,944
Other non-cashflow	(12,883,888)	5,279,541
<b>Expected benefit payments post retirement medical aid</b>		
Interest costs long service awards	(1,279,224)	(1,148,335)
other non-cashflow	(4,071,522)	623,453
Prepayments	(330,073)	-
Payables from exchange transactions	(10,635,333)	(29,257,143)
VAT	25,363,293	(18,369,670)
Unspent conditional grants and receipts	22,538,256	(11,082,725)
	<b>102,668,300</b>	<b>43,563,837</b>

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>35. Commitments</b>		
<b>Authorised capital expenditure</b>		
Already contracted for but not provided for		
• Property, plant and equipment	193,659,990	125,976,420
<b>Total capital commitments</b>		
Already contracted for but not provided for	193,659,990	125,976,420
<b>Authorised operational expenditure</b>		
Already contracted for but not provided for		
• Security Services	1,966,224	6,407,984
• IT Services	5,116,718	11,671,418
• Professional Services	3,870,208	2,378,460
• Other	1,585,066	-
	<b>12,538,216</b>	<b>20,457,862</b>
<b>Total operational commitments</b>		
Already contracted for but not provided for	12,538,216	20,457,862
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	193,659,990	125,976,420
Authorised operational expenditure	12,538,216	20,457,862
	<b>206,198,206</b>	<b>146,434,282</b>

The above commitments are recorded inclusive of Value Added Tax (VAT).

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

2022

2021

### 36. Contingencies

#### LITIGATION MATTER INSTITUTED AGAINST ADM

Litigation against the municipality was instituted by Integrity Forensic Solution for unpaid services amounting to R602 502.83. Letter of Demand is R878,800-34 of which amounts still outstanding are : Claim 2 R602,502-83, claim for R126,210-71 and further legal costs still to be incurred.

Claim for Damages by K Made arising out of injuries sustained by a member of the public while attending a June 16 celebration in 2016, costs are estimated to be R9 million.

Litigation against the municipality was instituted by Ntshiana Trading on contract awarded for R53 Million by the municipality and the cancelled again due to breach thereof. The parties are currently engaged in pre-trial proceedings whereafter the matter may be enrolled for trial. Management's estimate of financial implications in the amount of R53 811 021,20 represents the claim amount. Estimated risk for legal costs in this matter is ±R300 000,00.

Litigation against the municipality was instituted by Stratcon – Summons for services rendered for R10 508 997.41. Management consider the likelihood of the action against the municipality being successful as unlikely.

Application was instituted against the Municipality by a former CFO of the municipality in the Labour Court Johannesburg for salary related monies. The parties are currently engaged with pre-trial proceedings, whereafter the matter may be set down for trial. Management's estimate of financial implications in the amount of R487 766,31 represents the claim amount. Estimated risk for legal costs in this matter is ±R100 000,00

Objection received from Inzalo Enterprise Management Systems -Notice of Motion received ito Tender T2020/14. R4,484,354-27 was claimed. Legal costs to date R82 997-54

Request for historical information withheld by Sebata due to disputed appointment of financial system service provider. Sebata is demanding R1.2Million to release information.

Lulama Langa & Another / Sipho Mhlongo - Staff dispute Awaiting order from court plus legal costs on the matter therefore it was impractical at reporting date to estimate possible liability relating to the claim.

Mr T Nzuza was employed by the office of the Mayor and his employment was revoked. He engaged in litigation and the matter was dismissed. According to ADM the matter is closed

Mr SG Ndaba is not reporting to work due to health reasons. He has lodged a claim against the municipality for failing to provide medical assistance, Attorney's estimate including legal costs +/- R65 000

#### Contingent assets

A claim for R7 488 931.28 against Hollard insurance was instituted by the municipality for unpaid guarantees in respect of the construction Disaster Centre that was not completed by the contractor. Estimated risk for legal costs in this matter is ±R300 000,00. The parties are currently engaged in pre-trial proceedings whereafter the matter will be enrolled for trial.

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>37. Related parties</b>		
Relationships		
Members of key management		Key management personnel compensations and total remuneration for the Municipal Council members and executives are included under staff costs
Controlled entities		Amajuba Development Agency (Proprietary) Limited: Amajuba Economic Development Agency (Pty) Ltd was registered in December 2014. This entity is fully owned and controlled by Amajuba District Municipality. The agency is currently not carrying on business and has no assets and liabilities.
Associates		uThukela Water (Proprietary) Limited The entity, uThukela Water (Pty) Ltd, is jointly owned and controlled by Amajuba DM, Newcastle Local Municipality and uMzinyathi District Municipality and supplies the municipality with bulk water services:
<b>Related party balances</b>		
<b>Amounts included in Trade receivable (Trade Payable) regarding related parties</b>		
uThukela Water (Pty) Limited	(32,586,042)	(34,398,256)
<b>Purchases from (sales to) related parties</b>		
uThukela Water (Pty) Limited	22,775,597	20,287,984



# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

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2022

2021

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### 38. Change in estimate

#### Property, plant and equipment

GRAP17: Property, plant and equipment requires that the review of the remaining useful life of an item of property, plant and equipment be conducted at least at each reporting period. The municipality performed this review as at June 2022 and the following results were achieved:

Based on the condition assessment and utilisation of the assets ascertained during the physical verification exercise, the remaining useful lives of assets were reviewed.

The impact of the adjustment is that depreciation changes on property, plant and equipment decreased by R273 737.

	2023	2022
Depreciation before the review of useful life	15,585,827	15,585,827
Depreciation after the review of useful life	(15,312,090)	(15,312,090)
	<u>273,737</u>	<u>273,737</u>

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
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### 39. Prior period errors

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

#### Cash flow statement

##### Commitments

Opening balance	120,007,842	-
Adjustments made	26,426,440	-
<b>Restated opening balance</b>	<b>146,434,282</b>	<b>-</b>

Adjustment made to opening balance of commitments is due to omissions of some contracts in prior year register.

##### Fruitless and wasteful expenditure

Opening balance	4,758,603	-
Adjustments made	(2,832,332)	-
<b>Restated opening balance</b>	<b>1,926,271</b>	<b>-</b>

Prior period error adjustment relates to Disaster Management Software which was incorrectly classified as Fruitless and Wasteful Expenditure

##### Irregular expenditure

Opening balance	250,543,545	-
Adjustments made	4,888,803	-
<b>Restated opening balance</b>	<b>255,432,348</b>	<b>-</b>

Adjustment made to opening balance of irregular expenditure is due to an omission of irregular expenditure amounting to R5 632 645 and overstatement of R743 842 relating to accruals at 30 June 2021.

### 40. 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

2021

	Note	As previously reported	Correction of error	Restated
Inventories		1,798,751	343,551	2,142,302
VAT Receivable		36,119,514	(2,143,500)	33,976,014
Intangible Assets		1,270	2,832,332	2,833,602
Property plant and equipment		468,967,517	(152,856)	468,814,661
Provisions		(17,455,103)	(914,765)	(18,369,868)
Payables from exchange transactions		(81,867,369)	2,490,792	(79,376,577)
		<b>407,564,580</b>	<b>2,455,554</b>	<b>410,020,134</b>

#### Statement of financial performance

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

2022 2021

### 40. Prior-year adjustments (continued)

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		30,723,161	(1,939,546)	-	28,783,615
Depreciation		(18,300,943)	483,282	-	(17,817,661)
Contracted services		(53,362,459)	(162,312)	3,529,349	(49,995,422)
General expenditure		(26,035,548)	(1,176,041)	(3,529,349)	(30,740,938)
Impairment of assets		(4,532,728)	(240,289)	-	(4,773,017)
<b>Surplus for the year</b>		<b>(71,508,517)</b>	<b>(3,034,906)</b>	<b>-</b>	<b>(74,543,423)</b>

### Cash flow statement

2021

#### Errors

The following prior period errors adjustments occurred:

#### Prior period error

##### Inventory

Inventory materials valued at R343 551 that were stored at Durnacol were not included in materials stock valuation during 2020-21 financial year.

##### Provisions and General Expenditure

Provision for worksmans compensation fund of R914 765 was not recognised in 2021 financial period due to error.

#### Prior period error - VAT Receivable

VAT claim amounting to R1 939 546 received from SARS in January 2021 was erroneously recognised as service charges revenue.

An adjustment of R203 954 results from correction of prior period error relating to retentions and payables.

#### Propert plant and equipment

Prior period error adjustments relates to correction of reconciling differences noted between fixed asset register and the annual financial statements that were identified by management during the review of fixed asset register.

#### Payables from exchange transactions

##### Retentions

Retention and creditors correction in 2021 and 2020 financial are due to the correction of the ledger balances that were not supported by the underlying support. The register for retentions was compiled from the 2020FY ,during that financial year the municipality experienced system challenges.

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

2022

2021

### 40. Prior-year adjustments (continued)

#### Reclassifications

The following reclassifications adjustment occurred:

#### Reclassification - Contracted Services to General Expenditure

Wet fuel and oil was classified under contracted services with maintenance of machinery and equipment. The expenditure has been reclassified to general expenditure under fuel and oil as per Mscoa classification for for the nature of this expenditure.

#### Reclassification - Intangible Asset

Impairment of Disaster Management Software was reversed due decision by the municipality to fund and resume the completion of the Disaster Management Centre. Further funding of R5million was obtained from Cogta to complete the centre.

### 41. Risk management

#### Liquidity risk

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

#### Credit risk

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

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

Financial instrument	2022	2021
Cash and cash equivalents	71,233,202	44,581,071
VAT Receivable	8,612,721	33,976,014
Receivables from exchange transactions	6,902,670	2,831,148
Other financial liabilities	(4,088,118)	(5,228,946)
Payables from exchange transactions	(66,154,490)	(79,469,918)
Unspent conditional grants	(27,631,090)	(5,147,870)

### 42. Going concern

We draw attention to the fact that at June 30, 2022, the municipality had an accumulated surplus (deficit) of 642,546,486 and that the municipality's total assets exceed its liabilities by 642,546,486.

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.

### 43. Events after the reporting date

There are no material events after reporting for financial year 2021/2022.

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>44. Unauthorised expenditure</b>		
Opening balance as previously reported	677,164,048	612,265,750
<b>Opening balance as restated</b>	<b>677,164,048</b>	<b>612,265,750</b>
Add: Expenditure identified - current	104,938,483	64,898,298
<b>Closing balance</b>	<b>782,102,531</b>	<b>677,164,048</b>
<b>Analysed as follows: non-cash</b>		
Impairment loss of assets	3,875,041	4,532,728
Actuarial losses	44,973	65,397
Share of losses in associate	43,812,986	29,386,643
Debt impairment	23,234,719	9,545,508
Loss on donated assets	89,164	-
	<b>71,056,883</b>	<b>43,530,276</b>
<b>Analysed as follows: cash</b>		
Bulk purchases	-	112,873
Contracted services	17,603,293	21,204,749
Operating leases	146,670	50,400
Employee related costs	15,306,429	-
Remuneration of councillors	825,209	-
	<b>33,881,601</b>	<b>21,368,022</b>

### Disciplinary steps taken/criminal proceedings

There were no disciplinary steps taken or criminal proceedings relating to unauthorised expenditure.

## 45. Fruitless and wasteful expenditure

Opening balance as previously reported	2,194,556	4,758,603
Correction of prior period error	-	(2,832,332)
<b>Opening balance as restated</b>	<b>2,194,556</b>	<b>1,926,271</b>
Add: Expenditure identified - current	212,286	268,285
<b>Closing balance</b>	<b>2,406,842</b>	<b>2,194,556</b>

Prior period error adjustment relates to Disaster Management Software which was incorrectly classified as Fruitless and Wasteful Expenditure

## Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

### Notes to the Annual Financial Statements

2022 2021

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

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	2022	2021
Eskom	None	23,286	29,027
Newcastle Municipality	None	1,356	538
Telkom	None	260	387
Auditor General	None	2,804	-
SARS	None	184,581	-
		<b>212,287</b>	<b>29,952</b>

#### Disciplinary steps taken/criminal proceedings

There were no disciplinary steps taken or criminal proceedings relating to fruitless and wasteful expenditure.

#### 46. Irregular expenditure

Opening balance as previously reported	250,543,545	111,830,285
Correction of prior period error	4,888,803	-
<b>Opening balance as restated</b>	<b>255,432,348</b>	<b>111,830,285</b>
Add: Irregular Expenditure - current	57,552,374	138,713,260
Less: Amount written off - prior period	(27,058,637)	-
<b>Closing balance</b>	<b>285,926,085</b>	<b>250,543,545</b>

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

2022 2021

### 46. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
SCM processes not followed	None	28,487,204	30,605,184
BAC not properly composed in terms of SCM Regulation 29(2)	None	11,508,277	57,629,108
SCM Regulation 36 - Deviation not met	None	17,556,893	50,479,008
		<b>57,552,374</b>	<b>138,713,300</b>

### Cases under investigation

Irregular Expenditure prior to 2018 financial year

50,896,237 50,896,237

### Disciplinary steps taken/criminal proceedings

There were no disciplinary steps taken or criminal proceedings relating to irregular expenditure.

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

#### Audit fees

Current year audit fees

5,175,452 3,654,838

#### PAYE and UIF

Current year fee

22,468,275 21,091,299

Amount paid - current year

(22,468,275) (21,091,299)

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>47. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Pension and Medical Aid Deductions</b>		
Current year Fee	13,306,852	11,445,903
Amount paid - current year	(13,306,852)	(11,445,903)
	-	-
<b>VAT</b>		
VAT receivable	8,612,721	33,976,014

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

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

### **Councillors' arrear consumer accounts**

As at 30 June 2022 there were no councillors with arrear accounts outstanding for more than 90 days.

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



# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

2022

2021

### 48. Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The following are deviations that were approved by the Accounting Officer..

Description of Goods/ Service/ Works	Date	Supplier	Award Value	Reason for deviation
Security service provider for current honourable speaker to provide two handguns, one rifle, ammunition, one safe with installation and firearms control services.	2021/12/02	Bambolunye Security Services	76,602	This is an exceptional case where it is impractical or impossible to follow the official procurement processes.
Deputy mayor's VIP security service provider to provide two- armed deputy mayor's body guards/drivers with two handguns and one rifle firearm and control services.	2021/12/02	Mi7 National Group	184,607	This is an exceptional case where it is impractical or impossible to follow the official procurement processes.
Mayoral VIP security service provider to provide two-armed deputy mayor's body guards/drivers with two handguns and one rifle firearm and control services.	2021/12/02	Mi7 National Group	270,857	This is an exceptional case where it is impractical or impossible to follow the official procurement processes.
Appointment of Accredited security service provider for 3 months to provide VIP Protection Security service with one armed bodyguard/ driver , one pistol, one rifle firearm and back up vehicle	2022/05/27	Sehlukene Security	492,663	This is an exceptional case where it is impractical or impossible to follow the official procurement processes.
Appointment of Accredited security service provider for 3 months to provide VIP Protection Security service for Mayoral VIP Protection with two armed bodyguard/ driver , one pistol, one rifle firearm and back up vehicle	2022/04/25	Magentha Security	672,750	This is an exceptional case where it is impractical or impossible to follow the official procurement processes.
Appointment for leasing a warehouse space due to challenges of the revival of disaster management centre where the infrastructure maintenance inventory was lacted	2022/02/11	Vela Capital Investment	65,000	This is an exceptional case where it is impractical or impossible to follow the official procurement processes.
Request for service provider Vanguard projects to do fault finding on telemetry system	2022/02/21	Vanguard Projects	31,016	This is an exceptional case where it is impractical or impossible to follow the official procurement processes.
Request for service provider Kaeser compressors to do maintenance and service the compressor for Durnacol water treatment plant	2022/01/20	Kaeser Compressors	53,734	This is an exceptional case where it is impractical or impossible to follow the official procurement processes.
Appointment of accommodation for Strategic planning	2022/04/22	iLawu Hospitality Group	273,500	This is an exceptional case where it is impractical or impossible to follow the official procurement processes.
Hiring of 10 ton tipper truck, excavator and pad foot roller	2022/02/11	Notha Africa	65,550	This is an exceptional case where it is impractical or impossible to follow the official procurement processes.
			<b>2,186,279</b>	

### 49. Segment information

#### General information

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

2022

2021

### 49. Segment information (continued)

#### Identification of segments

The municipality is organised and reports to management on the basis of four major function areas: Governance and Administration, Community and Public Safety, Economic and Environmental Services and Trading Services. The segments were organised around the type of service delivered by the municipality which are also the main revenue generating streams. Management uses these same segments for determining strategic objectives per funding sources that fund the municipal operations as per mSCOA. Segments were aggregated for reporting purposes.

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

#### Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Water Management	Water Services
Waste Water Management	Sewage Services

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

#### Segment surplus or deficit

2022

	Trading Services	Other revenue	Total Segment revenue	Total segment (deficit) surplus
<b>Revenue</b>				
External revenue from non-exchange transactions	92,419,617	186,637,163	279,056,780	279,056,780
External revenue from exchange transactions	34,728,885	-	34,728,885	34,728,885
Interest revenue	-	13,710,947	13,710,947	13,710,947
Other income	-	14,455,670	14,455,670	14,455,670
<b>Total</b>	<b>127,148,502</b>	<b>214,803,780</b>	<b>341,952,282</b>	<b>341,952,282</b>
<b>Entity's revenue</b>			<b>341,952,282</b>	
<b>Expenditure</b>				
Interest expense				(419,122)
Salaries and Wages				(120,336,934)
Depreciation				(15,312,280)
Other expenditure				(187,083,602)
<b>Entity's Surplus (deficit) for the period</b>				<b>18,800,344</b>

2021

Trading Services	Other revenue	Total Segment revenue	Total segment (deficit) surplus
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# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 49. Segment information (continued)

#### Revenue

External revenue from non-exchange transactions	105,434,725	187,628,001	293,062,726	293,062,726
External revenue from exchange transactions	28,783,615	-	28,783,615	28,783,615
Interest revenue	-	10,529,297	10,529,297	10,529,297
Other income	-	2,394,761	2,394,761	2,394,761

<b>Total</b>	<b>134,218,340</b>	<b>200,552,059</b>	<b>334,770,399</b>	<b>334,770,399</b>
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<b>Entity's revenue</b>	<b>334,770,399</b>		
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#### Other reconciling items

Interest expense	(570,949)
Salaries and Wages	(82,699,144)
Depreciation	(9,275,827)
Other expenditure	(199,441,843)

<b>Entity's Surplus (deficit) for the period</b>	<b>42,782,636</b>
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#### Segment assets and liabilities

2022

	Trading Services	Other	Total segment liabilities
Cash	-	7,199,479	7,199,479
Call investment deposits	-	64,023,724	64,023,724
Consumer debtors	6,902,670	-	6,902,670
Other debtors	8,627,573	-	8,627,573
Inventory	1,699,729	-	1,699,729
Investment in associates	137,741,439	-	137,741,439
Property, plant and equipment	125,747,405	412,703,107	538,450,512
Intangible	-	2,832,595	2,832,595
<b>Total segment assets</b>	<b>280,718,816</b>	<b>486,758,905</b>	<b>767,477,721</b>
<b>Liabilities</b>			
Borrowings			- (4,616,129)
Trade and other payables			- (93,829,520)
Provisions			- (26,485,583)
<b>Total as per Statement of financial Position</b>		<b>486,758,905</b>	<b>642,546,489</b>

2021

	Trading Services	Other	Total segment liabilities
Cash	-	7,575,010	7,575,010
Call investment deposits	-	37,006,061	37,006,061
Consumer debtors	2,831,148	-	2,831,148
Other debtors	33,990,829	-	33,990,829
Inventory	2,142,339	-	2,142,339
Investment in associates	181,554,425	-	181,554,425
Property, plant and equipment	119,022,212	349,792,449	468,814,661
Intangible	-	2,833,602	2,833,602
<b>Total segment assets</b>	<b>339,540,953</b>	<b>397,207,122</b>	<b>736,748,075</b>
<b>Reconciling items</b>			
Borrowings			- (5,658,473)
Trade and other payables			- (84,659,388)
Provisions			- (22,604,458)

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand

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### 49. Segment information (continued)

Total as per Statement of financial Position

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<b>397,207,122</b>	<b>623,825,756</b>
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#### Other information

##### 2022

\*Capital expenditure excludes additions to financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

##### 2021

\*Capital expenditure excludes additions to financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts

# Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

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2022                      2021

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### 50. Water distribution losses

Water Distribution losses were calculated in terms MFMA circular 71 as follows:

Units lost (Kilolitres)	3,114,881	3,298,713
Annual purified water purchased and produced	5,673,762	6,223,552
Rand value of water losses at average price R8.99 (2021: R7.60)	28,002,780	25,070,219
<b>Water loss percentage 45% (2021: 51%)</b>	<b>-</b>	<b>-</b>

Water loss percentage disclosed in prior year final AFS was incorrect due to casting error. The error has been corrected in the current financial statements to 51% rather than of 44% as previously disclosed.

Amajuba District Municipality is mostly dominated with rural areas . Some of the rural areas have stand pipes and other areas do not have water infrastructure. The municipality utilises water tanker delivery services to collect water from the water treatment works and other designated water collection points to deliver water to areas that do not have water infrastructure.

Water provided to the rural areas is categorised as unbilled unmetered authorised consumption. Most of these rural areas have a huge impact on water losses due to the fact that consumption by each individual household remains unmetered and uncapped to a minimum basic service of 6kilo-litres for each household per month.