POPULAR PARTICIPATION FOR SUSTAINABLE DEVELOPMENT

INTSIKA YETHU MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2022

INTSIKA YETHU MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

The reports and statements set out below comprise the Annual Financial Statements presented to the council:

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Abbreviations used in the document

COVID	Coronavirus disease
GRAP	General Recognised Accounting Practice
MIG	Municipal Infrastructure Grant
MFMA	Municipal Finance Management Act (Act 56 of 2003)

Legal form of Entity

Intsika Yethu Municipality is a South African Category B Municipality (Local municipality) established under paragraph 151 of the constitution of the Republic of South Africa as defined by the Municipal Structures Act, 1998 (Act No. 117 of 1998).

The municipality's operations are governed by the:
- Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
- Municipal Systems Act of 2000; and
- Various other Acts and Regulations.

Nature of business and principal activities

The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying services to the community.

Executive Committee

Honorable Mayor Khanyiswa Florence Mdleleni

Speaker of the Council Myolisi Toni

Chief Whip Yanga Zicina

Councillors

Portfolio Heads

Bongani Divilias Mpengesi - Corporate Services
Vuyokazi Gladys Matomela - LED
Noloyiso Ntsaluba - Budget & Treasury
Melekile Skotana - Planning & Development.
Nozuko Sygnoria Mafanya - Community Services
Azipheli Tshangana Nkota - Infrastructure
Mlokoti - Governance & Administration

Section 79 Committees

Nophelo Magaga - Womens Caucus Committee Chairperson
Lusanda Makade - MPAC Chairperson
Mthimkhulu S - Rules & Ethics Chairperson
Yamile M - Public Participation Chairperson

Ordinary

Ngwane M
Mini X
Pumelele Magazi
Bhomoyi
Xoxo N
Danster V
Mcaleni N
Mdumata
Neliswa Portia Gadeni
Malusi Z
Twani S
Nyandana
Cekiso Z
Ngamlana L
Mrwetyana M
Ndondo S
Nkosinathi General Mnqanqeni
Jada N
Nosakhele Sonkosi
Malibongwe Gulubela
Mfamana M
N Mzizana
Mfana L
Mpofu N
Sindile N
Nokaya Monica Ludaka
Ncedeka Terezabeth Mgqamqho

AUDITOR GENERAL
SOUTH AFRICA
30 NOV 2022

Grading of Local Authority	Grade 3
Accounting Officer	Dr.BJ.Mthembu
Chief Finance Officer (CFO)	Ms B. Bavu-Ncoyini
Main Office	ERF. 201 Main Street Cofimvaba 5380
Satellite Office	ERF. 72 Main Street Tsomo 5400
Postal Address	Private Bag X 1251 Cofimvaba 5380
Telephone Number	(047) 874 8700
Facsimile Number	(047) 874 0010
Auditors	Auditor-General of South Africa (Registered Auditors)
Bankers Information	First National Bank
Attorneys Information	Fezidinga Mavata

INTSIKA YETHU MUNICIPALITY

Approval of Annual Financial Statements

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 auditor is engaged to express an independent opinion on the annual financial statements and is 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.

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

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

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

The annual financial statements set out on pages 7 to 91, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed by him:

Dr.B.J.Mthembu
Municipal Manager

31-Aug-22
Date

These Financial Statements have not been audited

INTSIKA YETHU MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

	Note	Actual 2022 R	2021 Restated R
ASSETS			
Current Assets		**120 204 429**	**97 755 643**
Inventories	2	53 210 714	29 428 594
Receivables from Exchange Transactions	3	2 049 807	2 661 188
Statutory Receivables from Non-exchange Transactions	4	3 778 250	3 319 372
Cash and Cash Equivalents	5	61 083 042	62 217 628
Operating Lease Receivables	6	82 617	128 861
Non-Current Assets		**607 718 224**	**642 132 844**
Property, Plant and Equipment	7	525 676 227	535 177 471
Investment Property	8	82 041 997	106 955 373
Total Assets		**727 922 653**	**739 888 487**
LIABILITIES			
Current Liabilities		**50 235 532**	**40 877 133**
Consumer Deposits	9	3 700 726	3 286 600
Provisions	10	2 365 193	2 629 333
Payables from Exchange Transactions	11	30 889 805	29 544 608
Payables from Non-exchange Transactions	12	254 468	653 281
Unspent Conditional Grants and Receipts	13	10 744 303	4 306 067
VAT Payable	14	2 281 038	457 243
Non-Current Liabilities		**16 895 847**	**16 293 992**
Employee Benefit Liabilities	15	14 405 000	13 933 000
Non-current Provisions	16	2 490 847	2 360 992
Total Liabilities		**67 131 380**	**57 171 126**
Total Assets and Liabilities		**660 791 274**	**682 717 362**
NET ASSETS		**660 791 273**	**682 717 362**
Accumulated Surplus / (Deficit)		660 791 273	682 717 362
Total Net Assets		**660 791 273**	**682 717 362**

INTSIKA YETHU MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Note	Actual 2022 R	Actual 2021 Restated R
REVENUE			
Revenue from Non-exchange Transactions		**235 547 284**	**288 947 178**
Property Rates	17	10 945 943	10 523 848
Fines, Penalties and Forfeits	18	189 325	173 213
Licences and Permits	19	50 130	131 501
Transfers and Subsidies	20	222 065 879	276 105 125
Interest, Dividends and Rent on Land Earned	25	2 296 007	2 013 491
Revenue from Exchange Transactions		**10 054 786**	**9 029 437**
Licences and Permits	19	1 838 844	2 762 005
Service Charges	21	1 316 361	1 259 409
Sales of Goods and Rendering of Services	22	389 243	181 794
Income from Agency Services	23	1 033 931	1 040 159
Rental from Fixed Assets	24	1 304 533	1 022 828
Interest, Dividends and Rent on Land Earned	25	3 316 833	2 753 941
Operational Revenue	26	855 041	-
Gains on Other Operations	36	-	9 300
Total Revenue		**245 602 069**	**297 976 614**
EXPENDITURE		**267 528 158**	**244 848 362**
Employee Related Costs	27	133 835 555	131 631 470
Remuneration of Councillors	28	17 515 192	17 354 131
Depreciation and Amortisation	29	32 485 786	31 402 340
Impairment Losses	30	28 321 205	7 379 468
Interest, Dividends and Rent on Land	31	234 933	-
Contracted Services	32	16 114 395	15 661 671
Inventory Consumed	33	2 442 780	1 339 073
Transfers and Subsidies Paid	34	2 648 363	5 931 090
Operational Costs	35	31 592 832	28 431 350
Losses on Other Operations	36	71 753	-
Loss on Disposal of Property, Plant and Equipment	37	2 265 364	5 717 769
Total Expenditure		**267 528 158**	**244 848 362**
SURPLUS / (DEFICIT) FOR THE YEAR		**(21 926 088)**	**53 128 252**

Refer to Budget Statement for explanation of budget variances

INTSIKA YETHU MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Accumulated Surplus/ (Deficit)	Total Net Assets
	R	R
2021		
Balance at 30 June 2020	648 366 079	648 366 079
Correction of Error (Note 39)	(18 776 972)	(18 776 972)
Restated Balance	**629 589 107**	**629 589 107**
Surplus / (Deficit) as per prior 2018/19 AFS	*48 017 757*	*48 017 757*
Correction of Error (Note 39)	*5 110 495*	*5 110 495*
Balance at 30 June 2021	**682 717 359**	**682 717 359**
2022		
Surplus / (Deficit) for the year	(21 926 088)	(21 926 088)
Balance at 30 June 2022	**660 791 271**	**660 791 271**

INTSIKA YETHU MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

	Actual	
	2022	2021
	R	R
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Property Rates	5 750 240	8 519 523
Transfers and Subsidies	228 504 114	271 635 348
Service Charges	307 384	454 126
External Interest and Dividends Received	2 229 452	1 874 285
Other Receipts	6 316 512	5 076 110
VAT Received	1 823 795	3 215 624
Payments		
Employee Related Costs	(133 540 540)	(125 911 842)
Remuneration of Councillors	(17 515 192)	(17 354 131)
External Interest and Dividends Paid	(234 933)	-
Suppliers Paid	(16 913 698)	(13 932 146)
Other Payments	(34 581 906)	(33 748 762)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**42 145 227**	**99 828 134**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(44 066 018)	(71 954 017)
Proceeds on Disposal of Property, Plant and Equipment	786 204	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(43 279 814)**	**(71 954 017)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1 134 586)**	**27 874 118**
Cash and Cash Equivalents at Beginning of Period	62 217 628	34 343 510
Cash and Cash Equivalents at End of Period	61 083 042	62 217 628

INTSIKA YETHU MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2022

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	%	%
FINANCIAL POSITION										
Current Assets										
Inventories	50 337 000	(38 800 000)	11 537 000	-	11 537 000	53 210 714	-	41 673 714	361.22	105.71
Receivables from Exchange Transactions	15 500 000	(12 000 000)	3 500 000	-	3 500 000	2 049 807	-	(1 450 193)	(41.43)	13.22
Receivables from Non-exchange Transactions	30 000 000	(10 000 000)	-	-	20 000 000	3 778 250	-	(16 221 750)	(81.11)	12.59
Cash and Cash Equivalents	100 459 000	(14 600 000)	85 859 000	-	85 859 000	61 083 042	-	(24 775 958)	(28.86)	60.80
Operating Lease Receivables	130 000	-	130 000	-	130 000	82 617	-	(47 383)	(36.45)	63.55
Non-Current Assets										
Property, Plant and Equipment	625 727 000	1 400 000	627 127 000	-	627 127 000	525 676 227	-	(101 450 773)	(16.18)	84.01
Investment Property	67 512 000	38 700 000	106 212 000	-	106 212 000	82 041 997	-	(24 170 003)	(22.76)	121.52
Total Assets	889 665 000	(35 300 000)	834 365 000	-	854 365 000	727 922 653	-	(126 442 347)	(14.80)	81.82
Current Liabilities										
Consumer Deposits	6 000 000	-	6 000 000	-	6 000 000	3 700 726	-	(2 299 274)	(38.32)	61.68
Provisions	3 000 000	-	3 000 000	-	3 000 000	2 365 193	-	(634 807)	(21.16)	78.84
Payables from Exchange Transactions	25 700 000	-	25 700 000	-	25 700 000	30 889 805	-	5 189 805	20.19	120.19
Payables from Non-exchange Transactions		-	-	-	-	254 468	-	254 468	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	10 744 303	-	10 744 303	0.00	0.00
VAT Payable	-	-	-	-	-	2 281 038	-	2 281 038	0.00	0.00
Non-Current Liabilities										
Employee Benefit Liabilities	-	15 408 816	15 408 816	-	15 408 816	14 405 000	-	(1 003 816)	(6.51)	0.00
Non-current Provisions	4 476 000	(1 476 000)	3 000 000	-	3 000 000	2 490 847	-	(509 153)	(16.97)	55.65
Total Liabilities	39 176 000	13 932 816	53 108 816	-	53 108 816	67 131 380	-	14 022 564	26.40	171.36
Total Assets and Liabilities	**850 489 000**	**(49 232 816)**	**781 256 184**	-	**801 256 184**	**660 791 274**	-	**(140 464 910)**	(17.53)	**77.70**
Net Assets (Equity)										
Reserves	10 380 000	-	10 380 000	-	10 380 000	-	-	(10 380 000)	(100.00)	0.00
Accumulated Surplus / (Deficit)	815 239 000	(24 362 816)	790 876 184	-	790 876 184	660 791 273	-	(130 084 911)	(16.45)	81.05
Total Net Assets	**825 619 000**	**(24 362 816)**	**801 256 184**	-	**801 256 184**	**660 791 273**	-	**(140 464 911)**	**(17.53)**	**80.04**

INTSIKA YETHU MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Inventories:

Increase is as a result of land parcels identified by Council for resale and transferred from IP to Inventory land.

Receivables from Exchange Transactions:

Due to reduction in debt collection in the debtors book and its ageing of the debt this resulted to an increase in the impairment hence the decrease in the receivables

Receivables from Non-exchange Transactions:

The varience is due to reduction in debt collection in the debtors book and its ageing of the debt this resulted to an increase in the impairment hence the decrease in

Cash and Cash Equivalents:

The varience is largely due to low collection from the municipal debtors as our debt collection dropped by more than half of our collection in the previous year.

Investment Property:

The decrease is as a result of land parcels identified by Council for resale and transferred from IP to Inventory land.

Consumer Deposits:

This was as a result of low payments received for sale of land than expected.

Provisions:

The was due to a reduction in the number of employees and thus the drop in the provisions for employee benefits.

Payables from Exchange Transactions:

Increased creditors accrual as major projects were paid after year end and increase in the number of leave days still due to employees.

Unspent Conditional Grants and Receipts:

The variance is due to the fact that the municipality did not anticipate that will be having the unspent grant. Abeyance to procure by Treasury and termination of contract due to no peformance had a negative impact on the spending.

VAT Payable:

The is largely due to input vat that was incorrectly charged to non vat vendors,

Current Portion of Long-term Liabilities:

The variance is due to the budget amount being included under trade payables.

Retirement Benefit Liabilities:

The increase is as a result increased staff who are provided for retirement benefit

Non-current Provisions:

It was under-budgeted for Provision for Rehabiliation of Landfill Sites, which were restated during the current financial year.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

INTSIKA YETHU MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2022

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	%	%
FINANCIAL PERFORMANCE										
Revenue from Non-exchange Transactions										
Property Rates	8 015 700	1 384 300	8 909 000	-	9 400 000	10 945 943		- 1 545 943	(16.45)	136.56
Fines, Penalties and Forfeits	545 412	- 395 412	882 720	-	150 000	189 325		- 39 325	(26.22)	34.71
Licences and Permits	458 842	- 100 000	1 500 000	-	358 842	50 130		308 712	86.03	10.93
Transfers and Subsidies	230 849 201	1 776 000	222 331 000	-	232 625 201	222 065 879		10 559 322	4.54	96.20
Interest, Dividends and Rent on Land Earned	791 160	1 000 000	1 000 000	-	1 791 160	2 296 007		- 504 847	(28.19)	0.00
Revenue from Exchange Transactions										
Licences and Permits	3 000 000	- 1 000 000	2 000 000	-	2 000 000	1 838 844		161 156	8.06	61.29
Service Charges	1 145 100	854 900	2 782 000	-	2 000 000	1 316 361		683 639	34.18	0.00
Sales of Goods and Rendering of Services	1 600 000	-	1 552 067	-	1 600 000	389 243		1 210 757	75.67	24.33
Income from Agency Services	1 800 000	- 300 000	1 000 000	-	1 500 000	1 033 931		466 069	31.07	57.44
Rental from Fixed Assets	1 110 759	743 511	1 761 333	-	1 854 270	1 304 533		549 737	29.65	117.45
Interest, Dividends and Rent on Land Earned	3 862 110	-	2 000 000	-	3 862 110	3 316 833		545 277	14.12	85.88
Operational Revenue	15 604 475	27 842 000	15 738 933	-	43 446 475	855 041		42 591 434	98.03	5.48
Gains on Disposal of Property, Plant and Equipment	124 920	600 000	-	-	724 920	-	-	724 920	100.00	0.00
Total Revenue	268 907 679	32 405 299	261 457 053	-	301 312 978	245 602 069	-	55 710 909	81.51	91.33
Expenditure								-		
Employee Related Costs	135 562 758	-	121 617 000	-	135 562 758	133 835 555	-	1 727 203	1.27	98.73
Remuneration of Councillors	18 942 545	-	17 628 000	-	18 942 545	17 515 192	-	1 427 353	7.54	92.46
Depreciation and Amortisation	28 000 000	6 500 000	28 500 000	-	34 500 000	32 485 786	-	2 014 214	5.84	116.02
Impairment Losses	1 500 000	-	1 100 000	-	1 500 000	28 321 205	26 821 205	- 26 821 205	(1 788.08)	1 888.08
Interest, Dividends and Rent on Land		-	-	-		234 933	234 933	-	0.00	0.00
Contracted Services	14 885 793	4 100 000	7 152 000	-	18 985 793	16 114 395	-	2 871 398	15.12	108.25
Inventory Consumed	6 397 000	- 3 600 000	4 000 000	- 1 500 000	2 797 000	2 442 780	-	354 220	12.66	38.19
Transfers and Subsidies Paid	5 000 000	- 1 700 000	5 500 000	- 100 000	3 300 000	2 648 363	-	651 637	19.75	52.97
Operational Costs	30 065 000	1 571 000	34 443 000	1 600 000	31 636 000	31 592 832	-	43 168	0.14	105.08
Losses on Other Operations		-		-		71 753	71 753	-	0.00	0.00
Loss on Disposal of Property, Plant and Equipment		-	100 000	-	-	2 265 364	2 265 364	- 2 265 364	#DIV/0!	0.00
Total Expenditure	240 353 096	6 871 000	220 040 000	0	247 224 096	267 528 158	29 393 255	- 19 997 376	108.21	111.31
Surplus/(Deficit for the Year	28 554 583	25 534 299	41 417 053	(0)	54 088 882	(21 926 088)	(29 393 255)	75 708 285	-	-

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Property Rates:

The variance is due to the implementation of the increase of tariff for the period under review and the fact the Eskom was previously renting property but now they are

Fines, Penalties and Forfeits:

This is due to the increased number of traffic fines during the year.

Licences and Permits:

This is due to a decrease in the number of Hawkers & Trading Licenses, largely due to inflation affecting the business markets.

Interest, Dividends and Rent on Land Earned:

Due to non payment of debtors, resulting to a low collection rate thus the increase in interest.

Service Charges:

Delays in the transfer of properties in the name of the municipality to beneficiaries which the municipality had projected that it would bill individuals

Sales of Goods and Rendering of Services:

Due to non afforbility as a result of consequencies of Covid 19 / chnaging marketing demands / inflation resulting in communities are not developing their properties

Rental from Fixed Assets:

The decrease is due in the decreased number of properties being leased out, e.g. Eskom has not bought the property their were leasing from the Municipality.

Interest, Dividends and Rent on Land Earned:

The income from external investments was slightly less in the current year as the Municipality did not receive any additional funding for projects.

Operation Revenue

Budgeted for cash back reserves which was initially non funding segement however a new SCOA Version required that its cash backed through investments & proceeds

Impairment Losses:

The municipality under budgeted for impairment of assets and alot of our infrastructure roads were accessed as been very poor in condition. The municipalty did a virement to address that.

Operational Revenue

Budgeted for cash back reserves which was initially non funding segement however a new SCOA Version required that its cash backed through investments & proceeds

Impairment Loss

Assessment of roads was conducted in the year under review and the outcome was the bad condition of roads which needed to be impaired and this resulted to unauthorised expenditure

Inventory Consumed:

The decrease was due to the fact the Muncipality were halted by National Treasury from doing procurement hence the varienc decrease.

Transfer & Subsidies

Indigent verification conducted resulted to a reduced number of beneficiaries

Loss on Disposal of Property, Plant and Equipment

Write off of roads previouly in the AR but did not belong to IYM & write off of duplicated roads in the AR

INTSIKA YETHU MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2022

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	%	%
CASH FLOW										
Cash Flows from/(used in) Operating Activities										
Property Rates	5 611 111	999 879	6 610 990	-	6 610 990	5 750 240		(860 750)	86.98	102.48
Transfers and Subsidies	230 849 000	1 775 788	232 624 788	-	232 624 788	228 504 114		(4 120 674)	98.23	98.98
Service Charges	801 570	400 000	1 201 570	-	1 201 570	307 384		(894 186)	25.58	38.35
External Interest and Dividends Received	4 653 000	1 000 270	5 653 270	-	5 653 270	2 229 452		(3 423 818)	39.44	47.91
Other Receipts	24 119 488	26 790 099	50 909 587	-	50 909 587	6 316 512		(44 593 075)	12.41	26.19
VAT Receivable / Payable	-	-	-	-	-	1 823 795		1 823 795	0.00	0.00
Employee Related Costs	(135 562 758)	-	(135 562 758)	-	(135 562 758)	(133 540 540)		2 022 218	0.00	0.00
Remuneration of Councillors	(18 942 545)	-	(18 942 545)	-	(18 942 545)	(17 515 192)		1 427 353	0.00	0.00
External Interest and Dividends Paid	-	-	-	-	-	(234 933)		(234 933)	0.00	0.00
Suppliers Paid	(22 000 000)	-	(22 000 000)	-	(22 000 000)	(16 913 698)		5 086 302	0.00	0.00
Other Payments	(34 349 000)	1 500 000	(32 849 000)	-	(32 849 000)	(34 581 906)		(1 732 906)	0.00	0.00
Cash Flows from/(used In) Investing Activities										
Purchase of Property, Plant and Equipment	(53 205 000)	(11 595 900)	(64 800 900)	-	(64 800 900)	(44 066 018)		20 734 882	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipme	583 889	149 071	732 960	-	732 960	786 204		53 244	107.26	134.65
Cash and Cash Equivalents at End of the Year	2 558 755	21 019 207	23 577 962	-	23 577 962	(1 134 587)	-	(24 712 549)	0.00	0.00

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).

The Statement of Financial Performance has been prepared using the Nature of Expense Method. The Cash Flow Statement has been prepared using the Direct Method.

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.

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

GRAP 1 -Presentation if Financial Statement
GRAP 2 - Cash Flow Statement
GRAP 3 -Accounting Policies, Change in Accounting Estimates and Errors
GRAP 4 - The Effect of Changes in Foreign Exchange Rates
GRAP 5 - Borrowing Cost
GRAP 9 - Revenue from Exchange Transaction
GRAP 10 - Financial Reporting in Hyper inflationary Economies
GRAP 11 - Construction Contracts
GRAP12 - Inventories
GRAP 13 - Leases
GRAP 14 - Events after the Reporting Date
GRAP 16 - Investment Property
GRAP 17 - Property, Plant and Equipment
GRAP 18 - Segmental Reporting
GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets
GRAP 20 - Related Party Disclosures
GRAP 21 - Impairment of Non-cash-generating Assets
GRAP 23 -Revenue from Non-exchange Transaction
GRAP 24 - Presentation of Budget Information in Financial Statements
GRAP 25 - Employee Benefits
GRAP 26 - Impairment of Cash-generating Assets
GRAP 27 - Agriculture
GRAP 31 - Intangible Assets
GRAP 32 - Service Concession Arrangement Grantor
GRAP 34 - Seperate Financial Statements
GRAP 35 - Consolidated FInancial Statements
GRAP 36 - Investments in Associates and Joint Ventures
GRAP 37 - Joint Arrangements
GRAP 38 - Disclosure of Interests in Other Entities
GRAP 100 -Discontinued Operations
GRAP 103 -Heritage Assets
GRAP 104 -Financial Instrument
GRAP 105 -Transfer of Function between Entities under Common Control
GRAP 106 -Transfer of Function between Entities Not Under Common Control
GRAP 107 - Mergers
GRAP 108 - Statutory Receivables
GRAP 109 - Accounting by Principals and Agents
GRAP 110 - Living and Non-living Resources

Interpretations:

IGRAP 1 - Applying the probability test in initial recognition of exchange revenue
IGRAP 2 - Change in existing decommissioning, restoration and similar liabilities
IGRAP 3 - Determining whether an arrangement contains a lease
IGRAP 4 - Rights to interest arising from decommissioning, restoration and environmental rehabilitation funds
IGRAP 5 - Apply the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyper Inflationary Economies
IGRAP 6 - Loyalty Programmes
IGRAP 7 - The limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction
IGRAP 8 - Agreement for the construction of assets from exchange transactions
IGRAP 9 - Distributions of Non-cash Assets to Owners
IGRAP 10 - Assets received from customers
IGRAP 13 - Operating leases - incentive
IGRAP 14 - Evaluating the substance of transactions involving the legal form of a lease
IGRAP 15 - Revenue- Barter Transactions Involving Advertising Services
IGRAP 16 - Intangible assets - Website costs (effective 1 April 2013)
IGRAP 17 - Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
IGRAP 18 - Recognition and Derecognition of Land
IGRAP 19 - Liabilities to Pay Levies
IGRAP 20 - Accounting for Adjustments to Revenue

1.1 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022.
Guideline on Accounting for Landfill Sites (No effective date as yet).
Guideline on the Application of Materiality to the Financial Statements (No effective date as yet).
GRAP 25 (as revised) : Employee Benefits (No effective date as yet).

iGRAP 7 (as revised) : Limit on defined benefit asset minimum funding requirements and their interaction (No effective date as yet).
GRAP 1 (as revised): Presentation of the Financial Statements (1 April 2023).
iGRAP 21: The Effect of Past Decisions on Materiality (1 April 2023).
GRAP 2020: Improvements to the standards of GRAP 2020 (1 April 2023).
GRAP 37 - Joint Arrangements (effective 1 April 2020)
GRAP 104 (as revised): Financial Instruments (1 April 2025)

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

1.2 Presentation Currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The municipality has rounded off to the nearest Rand

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.

3. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In application municipality's Accounting Policies and the 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, historical experience 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. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies while preparing the annual financial statements and that have the most significant effect on the amounts recognised in Annual Financial Statements:

Revenue recognition

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (Revenue from Exchange Transactions) and GRAP 23 (Revenue from Non-exchange Transactions). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Trade and other receivables

The municipality assesses its trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the management 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 and other 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.

Fair value estimation

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

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of the assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating how the condition and use of the asset informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

Impairment of capital assets

Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value or Current Replacement Cost. In making the estimates and judgement, management considers the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Defined benefit plan liabilities

The municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

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 10 - Provisions.

Effective interest rate

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

4. INVESTMENT PROPERTY

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

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

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

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

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

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

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

Cost model

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

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

Item	**Useful life**
Property - land	Indefinite
Property - buildings	30 - 50 years

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

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

5. PROPERTY, PLANT AND EQUIPMENT

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up. When significant components of items of property, plant and equipment have different useful lives, they are accounted for as separate items 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. All other costs are recognised in the income statement as an expense as incurred.

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.

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

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

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

Item		Average useful life
Landfill sites	Straight line	25 - 30 years
Buildings	Straight line	
- Mobile offices		10 - 20 years
- Other		30 - 50 years
Computer equipment	Straight line	5 - 15 years
Plant and machinery	Straight line	5 - 25 years
Furniture and office equipment	Straight line	7 - 20 years
Motor vehicles	Straight line	10 - 15 years
Infrastructure assets	Straight line	
- Roads and paving		5 - 135 years
Community assets	Straight line	
- Halls		15 - 50 years
- Libraries		15 - 30 years
Parks and recreation	Straight line	15 - 70 years
Wastewater network	Straight line	10 - 30 years
Electricity	Straight line	20 - 30 years
Land	Straight line	Indefinite

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

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

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

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

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

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

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

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

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

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

6. SITE RESTORATION AND DISMANTLING COST

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

7. FINANCIAL INSTRUMENTS

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

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

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

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

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

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position. The entity derecognise its assets using trade date accounting

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non - exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at fair value

Initial recognition

The municipality recognises financial assets using trade date accounting.

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost. Financial instruments at cost.
- All financial assets measured at amortised cost, or cost, are subject to an impairment review.
- All financial assets are recognised using a trade date accounting

Fair value measurement considerations

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

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

Reclassification

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

Financial liabilities

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

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

Presentation

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

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

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

8. INVENTORIES

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

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

Inventories sold are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business).

Consumable stores distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and current replacement cost (the cost the municipality would incur to acquire the asset on the reporting date).

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 first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

Other Arrangements

Redundant and slow-moving Inventories identified are written down from cost to current replacement cost, if applicable.

Inventories identified to be sold by public auction are written down from cost to net realisable value with regard to their estimated economic or realisable values. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Differences arising on the measurement of such Inventory at the lower of cost and current replacement cost or net realisable value, are recognised in Surplus or Deficit in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in current replacement cost or net realisable value is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

9. IMPAIRMENT OF CASH-GENERATING ASSETS

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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

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

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

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

Recoverable 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:

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

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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.

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.

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.

Reversal of impairment loss

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

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

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

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

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

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

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

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

Redesignation

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

10. IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

11. EMPLOYEE BENEFITS

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

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

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

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 recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the 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 measure 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 recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes:

- the location, function, and approximate number of employees whose services are to be terminated; the termination benefits for each job classification or function; and

- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

Post-employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

- Defined Contribution Plans:
  The municipality's contributions to the defined contribution funds are established in terms of the rules governing

- Plans:

  Benefits
  The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

  The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the Projected Unit Credit Method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

  Actuarial gains or losses are recognised immediately in Surplus or Deficit.

  Past-service costs are recognised immediately in Surplus or Deficit.

  Long-service Allowance
  The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through Surplus or Deficit.

  Provincially-administered Defined Benefit Plans
  The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans
The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

12. PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in notes 46. and 48.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment.

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

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

13. REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

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.

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

Rendering of services

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

- the amount of revenue can be measured reliably;

municipality;

- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Finance income

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

Tariff charges, licences and permits

Revenue arising from the application of approved tariffs is recognised when the service is rendered by applying the relevant authorised tariff. This includes licences and permits.

Rentals

Revenue from rental of facilities and equipment classified as operating leases is recognised over the term of the lease agreement, where such terms spans over more than one year a straight line basis is used.

Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

14. REVENUE FROM STATUTORY 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.

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises.

Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on a Time-proportionate Basis with reference to the principal amount receivable and effective interest rate applicable.

A composite rating system charging different rate tariffs is employed.

Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

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

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

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

Government grants

Income received from conditional grants, donations and funding recognised as revenue in the statement of financial performance to the extend that the municipality has complied with all the criterias or conditions attached to the funding. Where the conditions or criterias are not fully met, a liability is recognised in the statement of financial position.

Government grants that are received as compensation for expenses or losses incurred or for the purpose of giving immediate financial support with no future related conditions to be fulfilled are recognised in the statement of financial performance in the year in which they have been received.

Interest earned from investment of grant money is treated in accordance with the grant conditions. If it is payable to the funder it is recognised as a liability in the statement of financial position. If the interest is not payable to the funder it will be recognised as interest income or other income in the statement of financial performance of the period to which it was earned.

Government grants are recognised as revenue when:

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

15. INVESTMENT INCOME

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

16. BORROWING COSTS

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

17. DISCONTINUED OPERATIONS

Discontinued operations is a component with separate operations and cash flows that can be clearly distinguishable, operationally and for financial reporting purposes, that has been disposed of and represents a distinguishable activity, group of activities or geographical are of operations, or is a controlled entity acquired exclusively with the view to resale.

Discontinued operations are shown separately from continued operations on the face of the statement of financial performance.

Comparative figures are also reflected accordingly.

18. COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. The nature and reason for the reclassification are disclosed in the comparative figure note to the financial statements.

19. UNAUTHORISED EXPENDITURE

Unauthorised expenditure means:

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

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.

20. FRUITLESS AND WASTEFUL EXPENDITURE

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

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

21. IRREGULAR EXPENDITURE

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

22. EVENTS AFTER REPORTING PERIOD

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements. Non-adjusting events have been disclosed in the notes to the financial statements.

23. OFFSETTING

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

24. COMMITMENTS

Items are classified as commitments when the Municipality has committed itself to future transactions that will normally result in an outflow of resources, embodying economic benefits or service potential. A commitment is disclosed to the extent that it has not already been recognised anywhere else in the financial statements.

At the end of each financial reporting period the Municipality determines commitments is respect of capital expenditure that has been approved and contracted for which is then disclosed in the commitment note to the financial statements.

25. BUDGET INFORMATION

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

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

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

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

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.

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

Comparative information is not required.

26. RELATED PARTIES

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

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

27. VALUE ADDED TAX (VAT)

Revenue, expenses and assets are recognised net of VAT. The net amount of VAT recoverable from, or payable to SARS is included as part of receivables or payables in the statement of financial position. The municipality accounts for Value Added Tax on the Payments Basis in accordance with section15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

28. CHANGES IN ACCOUNTING POLICY, ESTIMATES AND ERRORS

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 - Accounting polices, changes in accounting estimates and errors, requirements except to the extent that it is impracticable to determine the period- specific effects or the accumulated effect of the change in policy. In such cases the municipality shall restate the opening balances of the assets and liabilities and net assets for the earliest period for which a retrospective restatement is practicable. Details of the change in accounting policy are disclosed in the notes to the financial statements where applicable.

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

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

With the adoption of mSCOA the municipality reclassified certain balances in order to comply with the instruction notes issued. The result of the reclassification is set out below and in the relevant Notes to the Annual Financial Statements.

29. SEGMENT REPORTING

The mandate of the municipality is to provide basic services to the community over which it governs. In order to properly execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective and also considered separately for each of the towns within the municipal jurisdiction. The components described below have been identified as individually significant segments for purposes of reporting in terms of GRAP 18 (Segment Reporting).

The following services are considered significant to the municipality and is accordingly managed separately:

- Community and Social Services including Public Safety.
- Planning and Development.
- Roads.
- Energy Sources.
- Waste Management

All other sources of income and expenditure is aggregated through means of the administrative function as these services are not significant to the other services of the municipality as a whole.

The municipality only operates in a single geographical location and accordingly does not report separately on each location within its jurisdction.

Intersegmental transfers are per the municipality's approved tariff policy. The reconciliation clearly describes the effects of all internal transfers between segments.

The accounting policies for segmental reporting in the management accounts are aligned to the requirements of GRAP as descriped in these accounting policies.

No changes from were made from prior periods measurement methods used to determine reported segment surplus or deficit.

30. LEASES

30.1 The Municipality as Lessee

30.1.1 Finance Leases

Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are recognised at equal amounts. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments to the fair value of the asset, plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

30.1.2 Operating Leases

The municipality recognises operating lease rentals as an expense in Surplus or Deficit on a Straight-line Basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

30.2 The Municipality as Lessor

Amounts due from lessees under Finance Leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from Operating Leases is recognised on a Straight-line Basis over the term of the relevant lease.

	2022	2021
	R	R

1. GENERAL INFORMATION

Intsika Yethu Local Municipality is a local government institution in Cofimvaba, Eastern Cape Province, and is one of the local municipalities under the jurisdiction of the Chris Hani District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

	2022	2021
Land	52 943 356	28 952 263
Materials and Supplies	267 358	476 331
Total Inventories	**53 210 714**	**29 428 594**

Land Inventory relates to properties for sale.

The Municipality received, as a donation, ERF 181 which is known as Joe Slovo in Cofimvaba, from Department of Rural Development (forestry) which is disclosed as part of Inventory Land. The property is yet to be transfered into the Municipalities name by the Deeds office.

The increase in land inventory was because donated properties previously not accounted for.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2022			
Service Debtors:	9 331 573	8 405 303	926 270
Refuse	9 331 573	8 405 303	926 271
Other Receivables	3 564 271	2 858 343	705 928
Other Debtors	23 919	-	23 919
Property Rental Debtors	3 540 352	2 858 343	682 009
Sundry Debtors	417 609	-	417 609
Total Receivables from Exchange Transactions	**13 313 452**	**11 263 645**	**2 049 807**

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Service Debtors:	7 993 962	6 901 354	1 092 607
Refuse	7 993 962	6 901 354	1 092 608
Other Receivables	2 746 787	1 412 321	1 334 466
Property Rental Debtors	2 746 787	1 412 321	1 334 466
Sundry Debtors	234 115	-	234 115
Total Receivables from Exchange Transactions	**10 974 864**	**8 313 675**	**2 661 188**

Credit Quality of Receivables from Exchange Transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed for indicators of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to annual payment rates and incorporates this information into its credit risk credit control. No external credit rating is performed.

Consumer receivables from service charges are billed monthly. Interest is charged on 60day + overdue receivables from exchange transactions at a rate of 16.5% per annum.Interest charged is on simple interest rate.

The municipality enforces its approved credit control policy to ensure the recovery of receivables. None of the financial assets that are fully performing have been renegotiated in the last year.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

More notes on credit risk and quality of receivables are disclosed in Note 43.7.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratios of the municipality's Receivables.

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2022

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Refuse:					
Gross Balances	161 904	179 834	171 310	8 818 525	9 331 573
Less: Provision for Impairment	126 287	126 485	125 550	8 026 981	8 405 303
Net Balances	**35 617**	**53 349**	**45 760**	**791 545**	**926 271**
Other Receivables:					
Gross Balances	(221 170)	110 318	102 669	3 572 454	3 564 271
Less: Provision for Impairment	(24 981)	77 756	73 018	2 732 550	2 858 343
Net Balances	**(196 189)**	**32 562**	**29 651**	**839 904**	**705 928**
Sundry Debtors:					
Other Debtors	417 609				417 609
					-
Net Balances	**417 609**	**-**	**-**	**-**	**417 609**

As at 30 June Receivables of R1 792 771 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
All Receivables:					
Gross Balances	358 342	290 152	273 979	12 390 979	13 313 452
Less: Provision for Impairment	101 306	204 241	198 568	10 759 530	11 263 645
Net Balances	**257 036**	**85 911**	**75 411**	**1 631 449**	**2 049 807**

As at 30 June 2021

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Refuse:					
Gross Balances	160 792	149 839	150 331	7 533 000	7 993 962
Less: Provision for Impairment	76 825	76 754	75 824	6 671 952	6 901 354
Net Balances	**83 967**	**73 085**	**74 507**	**861 048**	**1 092 608**
Other Receivables:					
Gross Balances	72 620	64 865	84 182	2 525 120	2 746 787
Less: Provision for Impairment	22 281	21 484	21 708	1 346 847	1 412 321
Net Balances	**50 339**	**43 381**	**62 474**	**1 178 273**	**1 334 466**
Sundry Debtors:					
Other debtors:	234 115				234 115
Net Balances	**234 115**	**-**	**-**	**-**	**234 115**

As at 30 June Receivables of R2 292 767 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	467 527	214 704	234 513	10 058 120	10 974 864
Less: Provision for Impairment	99 106	98 238	97 532	8 018 799	8 313 675
Net Balances	368 421	116 466	136 981	2 039 321	2 661 189

	2022 R	2021 R
3.2 Reconciliation of the Provision for Impairment		
Balance at beginning of year	8 313 675	7 181 640
Impairment Losses recognised	2 949 970	1 132 036
Balance at end of year	11 263 645	8 313 675

4. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2022			
Property Rates	26 722 861	23 952 704	2 770 157
Fines	2 016 187	1 008 094	1 008 093
Total Statutory Receivables from Non-exchange Transactions	28 739 048	24 960 797	3 778 250

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Property Rates	19 629 963	17 280 034	2 349 929
Fines	1 938 887	969 444	969 443
Total Statutory Receivables from Non-exchange Transactions	21 568 850	18 249 478	3 319 372

Credit Quality of Receivables from Non-exchange Transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed for indicators of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to annual payment rates and incorporates this information in to its credit risk control. No external credit rating is performed.

Traffic fines are recognised in accordance with IGrap 1.

Consumer receivables from rates are billed monthly. Interest is charged on 60 days + overdue consumer receivables at a rate of 16.5% per annum. Interest charged is on simple interest rates. No interest rate is charged on overdue traffic fines debtors.

The municipality enforces its approved credit control policy to ensure the recovery of receivables. None of the financial assets that are fully performing have been renegotiated in the last year.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

More notes on credit risk and quality of receivables are disclosed in Note 43.7.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

4.1 Ageing of the Statutory Receivables from Non-exchange Transactions

As at 30 June 2022

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Property Rates:					
Gross Balances	815 342	769 391	722 584	24 415 544	26 722 861
Less: Provision for Impairment	626 262	645 128	616 855	22 064 459	23 952 704
Net Balances	**189 080**	**124 263**	**105 729**	**2 351 085**	**2 770 157**
Fines:					
Gross Balances	2 016 187				2 016 187
Less: Provision for Impairment	1 008 094				1 008 094
Net Balances	**1 008 093**	-	-	-	**1 008 093**

As at 30 June Receivables of R2 581 077 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
All Receivables:					
Gross Balances	2 831 529	769 391	722 584	24 415 544	28 739 048
Less: Provision for Impairment	1 634 356	645 128	616 855	22 064 459	24 960 797
Receivables with credit balance	0				
Net Balances	**1 197 173**	**124 263**	**105 729**	**2 351 085**	**3 778 250**

As at 30 June 2021

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Property Rates:					
Gross Balances	597 746	1 045 117	613 768	17 373 332	19 629 963
Less: Provision for Impairment	133 328	142 277	130 950	16 873 479	17 280 034
Net Balances	**464 418**	**902 840**	**482 818**	**499 853**	**2 349 929**
Fines:					
Gross Balances	1 938 887	-	-	-	1 938 887
Less: Provision for Impairment	969 444	-	-	-	969 444
Net Balances	**969 443**	-	-	-	**969 443**

As at 30 June Receivables of R1 885 511 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
All Receivables:					
Gross Balances	2 536 633	1 045 117	613 768	17 373 332	21 568 850
Less: Provision for Impairment	1 102 772	142 277	130 950	16 873 479	18 249 478
Net Balances	**1 433 861**	**902 840**	**482 818**	**499 853**	**3 319 372**

	2022 R	2021 R
4.2 Reconciliation of Provision for Impairment		
Balance at beginning of year	18 249 478	12 002 010
Impairment Losses recognised	6 711 319	6 247 468
Balance at end of year	24 960 797	18 249 478

5. CASH AND CASH EQUIVALENTS

	2022 R	2021 R
Bank Accounts	61 083 042	62 217 628
Total Bank, Cash and Cash Equivalents	61 083 042	62 217 628

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

5.1 Bank Accounts

	2022 R	2021 R
Cash in Bank	61 083 042	62 217 628
Total Bank Accounts	61 083 042	62 217 628

The Municipality has the following operational bank accounts:

	Bank Statement Balances		Cash Book Balances	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
FNB - Primary Bank- 62022331003 (Primary)	1 994 963	1 694 662	2 082 817	1 792 167
FNB - 62101651398 (MIG)	8 972 287	77 936	8 972 287	77 936
FNB - Money Market - 62022332316 (INEP)	6 735 501	1 289 291	6 735 501	1 289 291
FNB -Money Market- 62090678320 (FMG)	8 937	37 803	8 937	37 803
ABSA - 32 Day Call Account -961149096 (32 Days)	860 948	850 695	860 948	850 695
FNB - Money Market - 62027101245 (RETENTION)	4 821 521	2 802 159	4 821 521	2 802 159
FNB - Money Market - 62160167500 (OPERATING)	25 750 425	43 516 972	25 750 425	43 516 972
FNB - Money Market - 62026740549 (RESERVES)	11 850 605	11 850 605	11 850 605	11 850 605
	60 995 187	62 120 123	61 083 041	62 217 628

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

6. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	128 861	113 445
Operating Lease - Straight lining	5 901	19 285
Operating Lease - Reversal	(52 146)	(3 869)
Total Operating Lease Receivables	82 617	128 861

6.1 Leasing Arrangements

The Municipality as Lessor:
Operating Leases relate to Property owned by the municipality with lease terms of 1 to 3 years (2021/22: 1 to 3 years), with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The average escalation % of leases is between 5% to 10%, on a yearly basis.

6.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	554 159	494 664
2 to 5 years	281 704	683 529
Total Operating Lease Arrangements	835 863	1 178 193

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease of R46 244 (2021: increase of R15 416) in current year income.

The following restrictions have been imposed by the municipality in terms of the lease agreements:

(i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.

(ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.

(iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

7. PROPERTY, PLANT AND EQUIPMENT

30 June 2022

Reconciliation of PPE

Description	Land and Buildings	Infra-structure	Community	Other	Transport Assets	Total
	R	R	R	R	R	R
Carrying values at 01 July 2021	**49 752 141**	**378 315 215**	**75 831 609**	**6 082 469**	**25 196 037**	**535 177 471**
Cost	65 602 800	567 858 432	86 447 272	12 194 313	51 003 711	783 106 529
- *Completed Assets*	*65 602 800*	*516 128 356*	*67 579 852*	*12 194 313*	*51 003 711*	*712 509 032*
- *Under Construction*	-	*51 730 076*	*18 867 420*	-	-	*70 597 497*
Accumulated Impairment Losses	-	-	-	-	(130 111)	(130 111)
Accumulated Depreciation	(15 850 659)	(189 543 217)	(10 615 664)	(6 111 844)	(25 677 563)	(247 798 946)
Acquisition of Assets						
- Cost	-	-	0	6 565 286	2 604 848	9 170 134
- Capital Under Construction	-	34 470 845	425 039	-	-	34 895 884
Depreciation	(1 567 552)	(24 011 302)	(1 837 752)	(1 516 336)	(2 922 836)	(31 855 778)
Carrying value of Disposals:	-	-	-	(525 641)	(2 525 928)	(3 051 568)
- Cost	-	-	-	(1 771 551)	(7 646 921)	(9 418 472)
- Accumulated Impairment Losses	-	-	-	-	130 111	130 111
- Accumulated Depreciation	-	-	-	1 245 910	4 990 882	6 236 792
Impairment Losses	-	(18 348 415)	(311 500)	-	-	(18 659 915)
Capital under Construction - Completed	-	(31 321 881)	(19 292 459)	-	-	(50 614 340)
- Transfers Received from WIP	-	31 321 881	19 292 459	-	-	50 614 340
Carrying values at 30 June 2022	**48 184 589**	**370 426 343**	**74 107 395**	**10 605 779**	**22 352 121**	**525 676 227**
Cost	65 602 800	602 329 278	86 872 311	16 988 049	45 961 638	817 754 075
- *Completed Assets*	*65 602 800*	*547 450 237*	*86 872 311*	*16 988 049*	*45 961 638*	*762 875 034*
- *Under Construction*	-	*54 879 041*	-	-	-	*54 879 041*
Accumulated Impairment Losses	-	(18 348 415)	(311 500)	-	-	(18 659 915)
Accumulated Depreciation	(17 418 211)	(213 554 519)	(12 453 415)	(6 382 270)	(23 609 517)	(273 417 933)

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2021

Reconciliation of PPE

Description	Land and Buildings	Infra-structure	Community	Other	Transport Assets	Total
	R	R	R	R	R	R
Carrying values at 01 July 2020	**51 343 287**	**358 350 220**	**54 306 187**	**7 573 327**	**28 138 803**	**499 711 825**
Cost	65 602 800	530 231 234	63 875 778	13 436 467	51 134 330	724 280 609
- *Completed Assets*	65 602 800	472 663 539	*60 626 394*	*13 436 467*	51 134 330	*663 463 531*
- *Under Construction*	(0)	57 567 695	*3 249 384*	-	-	*60 817 079*
Accumulated Impairment Losses	-	-	-	-	(130 111)	(130 111)
Accumulated Depreciation	(14 259 513)	(171 881 014)	(9 569 591)	(5 863 140)	(22 865 415)	(224 438 673)
Acquisition of Assets						
- Cost	-	41 474 002	75 764	369 709	544 266	42 463 742
- Capital Under Construction	-	6 440 084	23 050 191	-	-	29 490 275
Depreciation	(1 591 147)	(23 419 959)	(1 417 601)	(1 372 403)	(2 969 492)	(30 770 602)
Carrying value of Disposals:	-	(4 529 131)	(182 933)	(488 164)	(517 540)	(5 717 769)
- Cost	-	(10 286 888)	(554 461)	(1 611 863)	(674 885)	(13 128 098)
- Accumulated Depreciation	-	5 757 757	371 529	1 123 699	157 345	7 410 329
Capital under Construction - Completed	-	(12 277 702)	(7 432 155)	-	-	(19 709 857)
- Transfers Received from WIP	-	12 277 702	7 432 155	-	-	19 709 857
Carrying values at 30 June 2021	**49 752 141**	**378 315 215**	**75 831 609**	**6 082 469**	**25 196 037**	**535 177 471**
Cost	65 602 800	567 858 432	86 447 272	12 194 313	51 003 711	783 106 529
- *Completed Assets*	*65 602 800*	*516 128 356*	*67 579 852*	*12 194 313*	*51 003 711*	*712 509 032*
- *Under Construction*	-	*51 730 076*	*18 867 420*	-	-	*70 597 497*
Accumulated Impairment Losses	-	-	-	-	(130 111)	(130 111)
Accumulated Depreciation	(15 850 659)	(189 543 217)	(10 615 664)	(6 111 844)	(25 677 563)	(247 798 946)

	2022	2021
	R	R

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

7.2 Carrying Amount of Property, Plant and Equipment retired from active use and not classified as a Discontinued Operation

No Property, Plant and Equipment were retired from active use and not classified as a Discontinued Operation during the financial year.

7.3 Assets pledged as security

The municipality did not pledge any of its assets as security.

7.4 Delayed Projects

The municipality has projects that are currently experiencing delays or were halted. For each project, the reason for the delay or halting of the

Both the additional office building and the water tanker have experienced some delays in completing the project by the projected due date. These delays are beyond the control of the municipality, however the projects will be completed within the cost limits of the original contract amounts.

Project Details	Delayed or Halted
Infrastructure Unit:	
Project 1: Tenza Bridge	Delayed

Reason: - As per initial Design/Plan the project cost amounted to R11,266,110.50 but the amount approved by MIG was R2,800,000.00. Due to financial constraints the project has been delayed and will be completed when financial resources are available.

Infrastructure Unit:	
Project 2: Ugrading of Cofimvaba Roads Phase 2	Delayed

Reason: Delays were caused by incapacity of the main contractor who susbsequently ceded majority of the work and also requested for extension of time from the municipality to complete the project

Infrastructure Unit:	
Project 3: Electrification	Delayed

Reason: Delays were caused by insufficient funds allocated however an application to DOE has bee done to request additional funding to complete these projects.

Total Carrying Amounts of Delayed or Halted Projects is as per WIP balance per project

7.5 Expenditure incurred to repair and maintain

	2022	2021	2022	2021
	R	R	R	R

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

Electrical Infrastructure			161 054	36 858
- Contracted Services	161 054	36 858		
Roads Infrastructure			103 248	2 202 623
- Contracted Services	103 247	1 445 599		
- Inventory Consumed	1	757 023		
Solid Waste Disposal			108 070	25 706
- Contracted Services	108 070	25 706		
Community Assets			192 847	-
- Contracted Services	192 847	-		
Machinery and Equipment			3 989 750	3 041 430
- Contracted Services	3 989 750	3 041 430		
Other Assets - Buildings			281 343	1 181 098
- Contracted Services	281 343	1 181 098		

Total Expenditure related to Repairs and Maintenance Projects	4 836 313	6 487 714

8. INVESTMENT PROPERTY

At Cost less Accumulated Depreciation	82 041 997	106 955 373

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	**106 955 373**	**107 587 112**
Cost	114 491 729	114 491 729
Accumulated Depreciation	(7 536 356)	(6 904 617)
Depreciation during the Year	(630 008)	(631 739)
Transfers during the Year:	(24 283 369)	-
At Cost	(24 283 369)	-
Carrying values at 30 June	**82 041 997**	**106 955 373**
Cost	90 208 361	114 491 729
Accumulated Depreciation	(8 166 364)	(7 536 356)

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	1 269 710	1 005 626

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

During the year erven which were previously determined were transferred to Inventory for disposal.

There are no contractual obligations on Investment Property.

8.1 Investment Property carried at Fair Value

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

8.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

9. CONSUMER DEPOSITS

	2022 R	2021 R
Land Sales	3 700 726	3 286 600
Total Consumer Deposits	**3 700 726**	**3 286 600**

CONSUMER DEPOSITS - LAND SALES
Deposits for Land Sales comprise deposits for properties sold, but not yet transfered. Transfer of these properties will be done on receipt of total payments.

No interest is paid on Consumer Deposits held.

10. PROVISIONS

	2022 R	2021 R
Performance Bonus	916 193	1 236 333
Current Portion of Employee Benefit Liabilities (See Note 15 for detail)	1 449 000	1 393 000
Post-retirement Medical Aid Benefits Liability	92 000	57 000
Long-term Service Liability	1 357 000	1 336 000
Total Provisions	**2 365 193**	**2 629 333**

11. PAYABLES FROM EXCHANGE TRANSACTIONS

	2022 R	2021 R
Bonus	2 594 977	2 743 284
Leave Accrual	12 877 321	12 489 301
Other Payables	4 445 856	4 442 874
Retentions	4 130 138	4 028 431
Trade Creditors	6 684 103	5 742 045
Exchange Transactions Receivables with Credit Balances	157 409	98 673
Total Payables	**30 889 805**	**29 544 608**

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

12. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

	2022 R	2021 R
Non-Exchange Transaction Receivables with Credit Balances	254 468	653 281
Total Payables	**254 468**	**653 281**

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

13. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2022 R	2021 R
National Government	10 224 951	3 537 888
Provincial Government Department of Sports, Recreation, Arts and Culture	519 352	768 179
Total Conditional Grants and Receipts	**10 744 303**	**4 306 067**

Included in Unspent Condition Grants are the following:

	2022 R	2021 R
Municipal Infrastructure Grant	3 936 562	3 537 893
Department of Sports, Recreation, Arts and Culture	519 352	768 179
Municipal Disaster Relief Fund	(5)	(5)
Integrated National Electrification Programme	6 288 393	
Total Unspent Conditional Grants	**10 744 303**	**4 306 067**

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 21 for the reconciliation of Grants from Government and other sources. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

14. VAT PAYABLE

VAT Payable	2 281 038	457 243

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

15. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities	15 854 000	15 326 000
Post-retirement Health Care Benefits Liability	7 819 000	7 390 000
Long Service Awards Liability	8 035 000	7 936 000
Less: Current Portion of Employee Benefit Liabilities	1 449 000	1 393 000
Post-retirement Health Care Benefits Liability	92 000	57 000
Long Service Awards Liability	1 357 000	1 336 000
Non-Current Portion of Employee Benefit Liabilities	14 405 000	13 933 000

15.1 Post-retirement Health Care Benefits Liability

Opening balance	7 390 000	5 155 000
Interest cost	778 000	589 000
Current service cost	735 000	577 000
Actuarial loss/ (gain) recognised in the year	(1 084 000)	1 069 000
Balance at end of Year	7 819 000	7 390 000
Less: Current Portion	92 000	57 000
Non-Current Portion of Employee Benefit Liabilities	7 727 000	7 333 000

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022 by Chanan Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	237	244
In-service Non-members (Employees)	90	66
Continuation Members (Retirees, widowers and orphans)	5	2
Total Members	332	312

The liability in respect of past service has been estimated as follows:

In-service Members	6 438 000	6 431 000
Continuation Members	1 381 000	959 000
Total Liability	7 819 000	7 390 000

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2022 is estimated to be R735 000, whereas the cost for the ensuing year is estimated to be R786,000.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	11.84%	10.58%
Health Care Cost Inflation Rate	8.45%	7.08%
Net Effective Discount Rate	5.55%	5.38%
Expected Rate of Salary Increase	5.96%	6.58%
Expected Retirement Age	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Opening balance	7 390 000	5 155 000
Interest cost	778 000	589 000
Current service cost	735 000	577 000
Actuarial loss/ (gain) recognised in the year	(1 084 000)	1 069 000
Total Recognised Benefit Liability	7 819 000	7 390 000

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	7 819 000	7 390 000
Total Benefit Liability	7 819 000	7 390 000

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	778 000	589 000
Interest cost	735 000	577 000
Actuarial losses / (gains)	(1 084 000)	1 069 000
Total Post-retirement Benefit included in Employee Related Costs (Note 28)	429 000	2 235 000

The history of fair values are as follows:

	2022 R	2021 R
Present Value of Defined Benefit Obligation	7 819 000	7 390 000
	7 819 000	7 390 000

15.2 Long Service Awards Liability

Opening Balance	7 936 000	6 825 000
Increases	775 000	1 149 000
Payments Made	(1 336 000)	(521 000)
Increases (Passage of Time/Discounted Rate)	660 000	483 000
Balance at end of Year	8 035 000	7 936 000
Less: Current Portion	1 357 000	1 336 000
Non-Current Portion of Total Long Service Awards Liability	6 678 000	6 600 000

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 327 (2021: 310) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2022 is estimated to be R918,000, whereas the cost for the ensuing year is estimated to be R931,000.

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	10.98%	9.06%
Net Effective Discount Rate	3.40%	3.12%
Expected Rate of Salary Increase	7.33%	5.76%
Expected Retirement Age	62	62
Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening Balance	7 936 000	6 825 000
Increases	775 000	1 149 000
Payments Made	(1 336 000)	(521 000)
Increases (Passage of Time/Discounted Rate)	660 000	483 000
Total Recognised Benefit Liability	8 035 000	7 936 000
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	8 035 000	7 936 000
Total Benefit Liability	8 035 000	7 936 000
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	918 000	908 000
Interest cost	660 000	483 000
Actuarial losses / (gains)	(280 000)	(280 000)
Total Post-retirement Benefit included in Employee Related Costs (Note 28)	1 298 000	1 111 000

The history of experienced adjustments is as follows:

	2022 R	2021 R	2020 R	2019 R
Present Value of Defined Benefit Obligation	8 035 000	7 936 000	6 825 000	6 299 919
	8 035 000	7 936 000	6 825 000	6 299 919
Experienced adjustments on Plan Liabilities	54 000	223 000	100 684	1 244 856

16. NON-CURRENT PROVISIONS

	2022	2021
Decommissioning, Restoration and Similar Liabilities: Landfill Sites	2 490 847	2 360 992
Total Non-current Provisions	2 490 847	2 360 992
Decommissioning of Landfill Sites:		
Opening Balance	2 360 992	2 237 908
Increases - Interest Costs	129 855	123 085
	2 490 847	2 360 992

16.1 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R4 996 076 (2021: R4 996 076) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average inflation interest rate which have been determined at 5.5% over the last 10 years.

The municipality will incur rehabilitation cost on its dumping/landfill site in the period 2034/35. Provision has been made for the net present value of this cost.

	2022	2021
	R	R

17. PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2022	July 2021	July 2022	July 2021
	R	R	R	R
Property Rates:				
Agricultural Property	683 900 000	683 900 000	-	-
Business and Commercial Properties	339 690 051	339 690 051	3 073 900	2 935 918
Municipal Properties	240 301 000	240 301 000	-	-
Public Benefit Organisations	439 191 000	439 191 000	-	-
Public Service Infrastructure Properties	199 106 000	199 106 000	-	-
Residential Properties	144 940 949	144 940 949	345 610	338 991
State-owned Properties	129 171 000	129 171 000	7 526 433	7 248 938
Place of Worship	7 710 000	7 710 000	-	-
Total Property Rates	2 184 010 000	2 184 010 000	10 945 943	10 523 848

18. FINES, PENALTIES AND FORFEITS

	2022	2021
Traffic Fines:	77 300	95 350
Municipal	77 300	95 350
Other Fines:	112 025	77 863
Law Enforcement	43 050	34 700
Pound Fees	68 975	43 163
Total Fines, Penalties and Forfeits	189 325	173 213

19. LICENCES AND PERMITS

	Exchange Transactions 2022	Exchange Transactions 2021	Non-Exchange Transactions 2022	Non-Exchange Transactions 2021
	R	R	R	R
Road and Transport:	1 838 844	2 762 005	-	-
Drivers Licence Application/Duplicate Drivers Licences	1 838 844	2 762 005	-	-
Trading	-	-	50 130	131 501
Total Licences and Permits	1 838 844	2 762 005	50 130	131 501

20. TRANSFERS AND SUBSIDIES RECEIVED

	2022	2021
Capital Grants	39 739 317	71 711 672
Monetary Allocations	39 739 317	71 711 672
Operational Grants	182 326 562	204 393 453
Monetary Allocations	182 326 562	204 393 453
Total Transfers and Subsidies Received	222 065 879	276 105 125

20.1 Summary of Grants:

20.1.1 Capital Grants

	Monetary Allocations 2022	2021
National Governments	39 739 317	71 711 672
Total Capital Grants Received	39 739 317	71 711 672

20.1.2 Operational Grants

	Monetary Allocations 2022	2021
Departmental Agencies and Accounts	238 129	168 349
District Municipalities	1 806 347	1 159 824
National Governments	6 839 085	4 325 280
National Revenue Fund	173 443 000	198 740 000
Total Operational Grants Received	182 326 562	204 393 453

20.2 Reconciliation per Grant Source

20.2.1 National Governments

	2022	2021
Balance unspent at beginning of year	389 472	-
Current year receipts	50 699 830	2 742 839
Conditions met - transferred to Revenue	(40 864 351)	795 049
Conditions still to be met - transferred to Current Liabilities (see Note 14)	10 224 951	3 537 888

20.2.2 Equitable Share

	2022	2021
Current year receipts	173 443 000	198 740 000
Transferred to Revenue	(173 443 000)	(198 740 000)

20.3 Detailed Summaries

	2022	2021
Equitable Share	173 443 000	198 740 000
Municipal Infrastructure Grant (MIG)	41 416 438	67 903 112
LG SETA	238 140	168 349
Integrated National Electrification Programme	1 020 503	3 808 579
Financial Management Grant	2 100 168	1 999 837
Extended Public Works Program - Grant Transfer	2 041 535	2 271 465
Department of Sports, Recreation, Arts and Culture	749 095	119 824
CHDM Grant	1 057 000	1 040 000
Municipal Disaster Relief Fund	(0)	53 959
Total Receipts for Government Grants and Subsidies	222 065 878	276 105 125

Included in the above are the following Grants and Subsidies received:

	2022	2021
Conditional Grants Received	47 327 738	76 156 776
Unconditional Grants Received	174 738 140	199 948 349
Total Receipts for Government Grants and Subsidies	222 065 878	276 105 125

20.3.1 Equitable Share

	2022	2021
Current Year Receipts	173 443 000	198 740 000
Transferred to Revenue	(173 443 000)	(198 740 000)

In terms of the Constitution, the grant is used to subsidies the provision of basic services to indigent community members. This grant is unconditional.

20.3.2 Municipal Infrastructure Grant

Unspent Balance at the Beginning of the Year	2 529 773	8 333 885
Rollover disallowed	(2 529 773)	-
Current Year Receipts	45 353 000	62 099 000
Conditions Met - Transferred to Revenue	(41 416 438)	(67 903 112)
Unspent Balance at the End of the Year	**3 936 562**	**2 529 773**

The Municipal Infrastructure Grant is a conditional grant , the purpose of which is to provide all South Africans with at least a basic level of service through the provision of grant finance to cover the capital cost of fund access roads and related infrastructure.

20.3.3 LG SETA

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	238 140	168 349
Transferred to Revenue	(238 140)	(168 349)
Unspent Balance at the End of the Year	-	-

This is an unconditional grant.

20.3.4 Integrated National Electrification Programme

Unspent Balance at the Beginning of the Year	1 008 896	475
Current Year Receipts	6 300 000	4 817 000
Conditions Met - Transferred to Revenue	(1 020 503)	(3 808 579)
Unspent Balance at the End of the Year	**6 288 393**	**1 008 896**

The Integrated Electrification Programme is a conditional grant. The purpose of the grant is to facilitate the development of the electrical infrastructure grid as part of the Integrated National Electrification Programme.

20.3.5 Financial Management Grant

Unspent Balance at the Beginning of the Year	168	5
Current Year Receipts	2 100 000	2 000 000
Conditions Met - Transferred to Revenue	(2 100 168)	(1 999 837)
Unspent Balance at the End of the Year	-	**168**

The Financial Management Grant is a conditional grant . The purpose of the grant is to promote and support municipal financial management reforms and assist municipalities with the implementation of MFMA. The focus of the FMG Grant is to build awareness and undertake training on MFMA Reforms including budgeting, reporting and financial processes.

20.3.6 Expanded Public Works Program - Grant Transfer

Unspent Balance at the Beginning of the Year	(465)	-
Current Year Receipts	2 042 000	2 271 000
Conditions Met - Transferred to Revenue	(2 041 535)	(2 271 465)
Unspent Balance at the End of the Year	-	**(465)**

The Expanded Public Works Programme (EPWP) is an conditional grant and it was received from Department of Public Works for the purpose of the Extended Public Works Pogramme.

20.3.7 Department of Sports, Recreation, Arts and Culture

Unspent Balance at the Beginning of the Year	768 179	388 003
Current Year Receipts	500 000	500 000
Transferred to Revenue	(749 095)	(119 824)
Unspent Balance at the End of the Year	**519 352**	**768 179**

This is a conditional grant.

20.3.8 Chris Hani District Municipality Grant

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	1 057 000	1 040 000
Transferred to Revenue	(1 057 000)	(1 040 000)
Unspent Balance at the End of the Year	-	-

This is an unconditional grant and was received from Chris Hani District Municipality.

20.3.9 Municipal Disaster Relief Fund

Unspent Balance at the Beginning of the Year	(5)	53 954
Current Year Receipts	-	-
Transferred to Revenue	0	(53 959)
Unspent Balance at the End of the Year	(5)	(5)

This is a conditional grant received from National Treasury for the purpose of COVID-19 Pandemic

21. SERVICE CHARGES

Refuse Removal	1 316 361	1 259 409
Total Service Charges	1 316 361	1 259 409

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

22. SALES OF GOODS AND RENDERING OF SERVICES

Application Fees for Land Usage	25 376	19 847
Building Plan Approval	60 928	53 037
Cemetery and Burial	6 459	11 718
Clearance Certificates	178	242
Entrance Fees	16 912	17 434
Sale of Goods	279 390	79 516
Total Sales of Goods and Rendering of Services	389 243	181 794

23. INCOME FROM AGENCY SERVICES

Commission on Vehicle Registration	1 033 931	1 040 159
Total Income from Agency Services	1 033 931	1 040 159

The municipality has a service level agreement with the Department of Transport to act as an agent for it in collection the revenue.

24. RENTAL FROM FIXED ASSETS

Straight-lined Operating Lease Revenue		
Investment Property	1 269 710	1 005 626
Other Fixed Assets:	1 902	3 351
Property Plant and Equipment	1 902	3 351
Other Rental Income		
Ad-hoc Rental Income from Other Fixed Assets:	32 921	13 851
Property Plant and Equipment	32 921	13 851
Total Rental of Facilities and Equipment	1 304 533	1 022 828

Rental income generated are at market related premuins. All rental income recognised is therefore market related.

25. INTEREST, DIVIDENDS AND RENT ON LAND EARNED

Non-exchange Transaction Receivables:		
Outstanding Billing Debtors	2 296 007	2 013 491
Total Non-exchange Transactions Interest, Dividends and Rent on Land Earned	2 296 007	2 013 491
External Investments:		
Bank Account	2 229 452	1 874 285
	2 229 452	1 874 285
Outstanding Exchange Transaction Receivables:		
Outstanding Billing Debtors	1 087 381	879 657
	1 087 381	879 657
Total Exchange Transaction Interest, Dividends and Rent on Land Earned	3 316 833	2 753 941
Total Interest, Dividends and Rent on Land Earned	5 612 841	4 767 432

26. OPERATIONAL REVENUE

Insurance Refund	855 041	
Total Operational Revenue	855 041	-

The operational revenue is for insurance claims which were refunded during the year. No claims or refunds were made during the prior year.

27. EMPLOYEE RELATED COSTS

	2022 R	2021 R
Salaries and Wages:		
Basic	82 955 881	79 422 411
Long Service Awards	544 644	212 039
Bonusses	5 976 055	6 538 065
Leave Payments	989 220	2 652 986
Overtime	3 677 945	3 556 233
Allowances:		
Accommodation, Travel and Incidental	474 903	414 074
Acting and Post Related Allowances	1 968 752	1 303 151
Cellular and Telephone	899 539	934 693
Housing Benefits	999 222	1 220 860
Non-pensionable	1 233 031	135 845
Scarcity Allowance	5 675	133 220
Standby Allowance	907 694	608 156
Travel or Motor Vehicle	8 977 561	8 936 341
Social Contributions:		
Bargaining Council	42 683	45 053
Group Life Insurance	-	(29 587)
Medical	8 048 009	7 833 530
Pension	13 635 464	12 756 074
Unemployment Insurance	677 440	611 018
Skills Development Fund Levy	1 245 211	1 001 308
Post-retirement Benefits:		
Current Service Cost	(349 000)	1 646 000
Interest Cost	778 000	589 000
Leave Gratuity	48 625	-
Long Term Service Awards	99 000	1 111 000
Total Employee Related Costs	**133 835 555**	**131 631 470**

No advances were made to employees. Loans to employees are set out in Note 10.

27.1 Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager - S.Koyo

	2022 R	2021 R
Annual Remuneration	-	933 410
Performance Bonus	46 670	50 913
Car and Other Allowances	-	722 558
Company Contributions to UIF, Medical and Pension Funds	-	15 008
Total	46 670	1 721 889

Previous Municipal Manager, vacated the posts in May 2022 and was paid only performance bonus

Remuneration of the Municipal Manager - BJ.Mthembu

	2022 R	2021 R
Annual Remuneration	84 856	
Performance Bonus	-	
Car and Other Allowances	56 487	
Company Contributions to UIF, Medical and Pension Funds	1 559	
Total	142 901	-

Assumed the position in June 2022

Remuneration of the Chief Financial Officer - B.Bavu

	2022 R	2021 R
Annual Remuneration	922 498	922 498
Performance Bonus	46 124	61 499
Car and Other Allowances	614 999	614 999
Company Contributions to UIF, Medical and Pension Funds	17 294	14 684
Total	1 600 915	1 613 680

Remuneration of the Manager Community Services - A.Ntengenyana		
Annual Remuneration	-	614 999
Performance Bonus	30 749	61 499
Car and Other Allowances	-	500 851
Company Contributions to UIF, Medical and Pension Funds	-	10 372
Total	30 749	1 187 721

Resigned on the 28th of February 2021 and was paid only for perfomance bonus

Remuneration of the Manager Community Services - K.Roto		
Annual Remuneration	153 750	-
Car and Other Allowances	88 662	-
Company Contributions to UIF, Medical and Pension Funds	2 581	-
Total	244 993	-

The incumbent was appointed for the Director Community Services in May 2022

Remuneration of the Manager Corporate Services - N.K.Fololo		
Annual Remuneration	922 498	922 498
Performance Bonus	30 750	46 124
Car and Other Allowances	614 999	614 999
Company Contributions to UIF, Medical and Pension Funds	17 453	14 791
Total	1 585 699	1 598 412

Remuneration of the Manager Local Economic Development - K.Maceba		
Annual Remuneration	922 498	922 498
Acting Allowance	39 904	-
Performance Bonus	46 124	46 124
Car and Other Allowances	614 999	628 745
Company Contributions to UIF, Medical and Pension Funds	18 005	14 928
Total	1 641 530	1 612 295

Remuneration of the Manager Infrastructure and Planning - K.Clock		
Annual Remuneration	922 498	922 498
Acting Allowance	47 884	-
Perfomance Bonus	30 750	15 374
Car and Other Allowances	614 999	614 999
Company Contributions to UIF, Medical and Pension Funds	17 931	14 483
Total	1 634 062	1 567 354

Summary of Remuneration of Section 57 Employees:		
All Managers	6 927 520	9 301 351
Total Remuneration of Section 57 Employees	6 927 520	9 301 351

28. REMUNERATION OF COUNCILLORS

Mayor	146 564	734 020
Speaker	739 064	782 298
Chief Whip	732 465	690 046
Executive committee members	2 106 459	2 718 956
Total for All Other Councillors	13 790 639	12 428 812
Total Councillors' Remuneration	17 515 192	17 354 131

The Mayor and Speaker are full-time Councillors and each is provided with an office and secretarial support at the cost of the Municipality. The Mayor and Speaker utilise official Council transportation when engaging in official duties. Packages are set as stated below:

Mayor		
Annual Remuneration	738 847	645 644
Allowances	105 317	259 615
Co.Contribution	7 067	6 837
Other Benefits	2 500	6 000
	853 731	918 096

Was Speaker from 01 July to November 2021, assumed the responsibilities of Mayor from Dec 21 to June 2022

Speaker		
Annual Remuneration	620 600	516 516
Allowances	101 491	216 572
Co.Contribution	6 360	5 138
Other Benefits	2 500	6 000
	730 951	744 226

Was Chief Whip from 01 July to November 2021, assumed the responsibilities of

Chief Whip		
Annual Remuneration	592 675	484 234
Allowances	101 491	205 811
Co.Contribution	5 212	5 281
Other Benefits	-	5 500
	699 377	700 826

Was Executive Committee Member from 01 July to November 2021, assumed the responsibilities of Chief Whip from Dec 21 to June 2022

Executive Committee Members		
Annual Remuneration	3 696 193	3 139 606
Allowances	706 496	1 117 857
Co.Contribution	38 293	31 473
Other Benefits	36 500	40 500
	4 477 481	4 329 436

Due to Local Government Elections there were changes which had an effect on Executive Committee from November 2021

Councillors (Sec79)		
Annual Remuneration	4 171 420	5 230 679
Allowances	1 002 759	1 697 730
Co.Contribution	46 548	52 621
Other benefits	65 500	113 973
	5 286 227	7 095 003

Due to Local Government Elections there were changes which had an effect on Sec79 Committees from November 2021

Councillors (Ordinary)		
Annual Remuneration	4 610 819	2 503 231
Allowances	942 587	1 114 185
Co.Contribution	52 351	26 297
Other benefits	17 500	50 477
	5 623 257	3 694 190

Remuneration of Councillors:

Councillors were compensated within the limits set by the Remuneration of Public Office Bearers Act No 20 of 1998.

29. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	31 855 778	30 770 602
Depreciation: Investment Property	630 008	631 739
Total Depreciation and Amortisation	32 485 786	31 402 340

29.1 Depreciation: Property, Plant and Equipment

Community Assets	3 405 304	1 462 255
Computer Equipment	633 330	690 241
Furniture and Office Equipment	347 043	420 985
Machinery and Equipment	535 963	269 977
Other Assets	741 654	1 591 147
Roads Infrastructure	23 269 649	23 375 305
Transport Assets	2 922 836	2 960 692
	31 855 778	**30 770 602**

30. IMPAIRMENT LOSSES

Impairment Losses on Fixed Assets	18 659 915	-
Impairment Losses on Financial Assets	9 661 289	7 379 468
Total Impairment Losses	**28 321 205**	**7 379 468**

Condition assessment on roads were done during the year which resulted in the impairment expenses.

30.1 Impairment Losses on Financial Assets

Impairment Losses		
Other Receivables from Non-exchange Revenue	6 711 319	6 247 468
Trade and Other Receivables from Exchange Transactions	2 949 970	1 132 000
	9 661 289	**7 379 468**

31. INTEREST, DIVIDENDS AND RENT ON LAND PAID

Interest Paid:	234 933	-
Overdue Accounts	234 933	-
Total Interest, Dividends and Rent on Land Paid	**234 933**	**-**

32. CONTRACTED SERVICES

Outsourced Services	3 699 460	1 496 884
Consultants and Professional Services	6 802 320	8 285 554
Contractors	5 612 615	5 879 233
Total Contracted Services	**16 114 395**	**15 661 671**

32.1 Outsourced Services

Administrative and Support Staff	397 049	383 794
Animal Care	76 606	-
Business and Advisory	1 009 362	117 928
Catering Services	888 697	148 686
Electrical	161 054	36 858
Hygiene Services	99 120	128 234
Personnel and Labour	640 884	78 971
Researcher	168 553	424 674
Security Services	258 136	177 740
	3 699 460	**1 496 884**

32.2 Consultants and Professional Services

Business and Advisory	5 297 068	7 253 847
Infrastructure and Planning	1 047 042	612 707
Legal Cost	458 210	419 000
	6 802 320	8 285 554

32.3 Contractors

Maintenance of Buildings and Facilities	1 218 869	1 209 278
Maintenance of Equipment	108 070	25 706
Maintenance of Plant and Machinery	4 092 997	4 486 748
Plants, Flowers and Other Decorations	192 679	77 100
Transportation	-	80 400
	5 612 615	5 879 233

33. INVENTORY CONSUMED

Consumables	502 985	1 337 089
Finished Goods	1 888 009	1 984
Materials and Supplies	51 786	-
	2 442 780	1 339 073

34. TRANSFERS AND SUBSIDIES PAID

Operational Grants	2 648 363	5 931 090
Allocations In-kind	2 648 363	5 931 090
Total Transfers and Subsidies Paid	2 648 363	5 931 090

35. OPERATIONAL COSTS

Included in General Expenses are the following:

Advertising, Publicity and Marketing	392 032	637 799
Bank Charges, Facility and Card Fees	160 152	72 915
Prepaid Electricity	2 134 274	2 291 950
Telephone Management	1 390 632	1 320 322
Contribution to Provisions	129 855	123 085
Drivers Licences and Permits	465 819	277 048
Public Participation Programs	612 658	208 770
External Audit Fees	5 306 058	3 765 246
External Computer Service	2 681 687	983 041
Hire Charges	856 045	94 680
Traditional Councillors and Ward Committe Members	2 548 811	3 258 018
Incetive Scheme	158 326	112 410
Insurance Underwriting	2 286 401	1 215 365
Licences	538 642	354 257
Municipal Services	6 428 426	5 841 227
Printing, Publications and Books	113 143	101 844
Professional Bodies, Membership and Subscription	1 581 153	3 521 056
Supplier Development Programme	214 202	563 450
Travel Agency and Visa's	100 581	478
Travel and Subsistence	894 441	361 325
Uniform and Protective Clothing	368 667	395 573
Wet Fuel	1 737 887	1 932 992
Workmen's Compensation Fund	492 941	998 500
Total Operational Costs	31 592 832	28 431 350

35.1 Travel and Subsistence

Domestic		
Accommodation	539 719	311 630
Incidental Cost	239 033	-
Transport without Operator	81 326	35 798
Transport with Operator	34 363	13 898
	894 441	361 325

No other extra-ordinary expenses were incurred.

36. GAINS AND LOSSES ON OTHER OPERATIONS

Gains on Other Operations		
Gains in Inventory: Increase in Net-realisable Value	-	9 300
Total Gains on Other Operations	-	9 300
Losses on Other Operations		
Losses in Inventory: Decrease in Net-realisable Value	71 753	-
Total Losses on Other Operations	71 753	-
Net Gains and Losses on Other Operations	(71 753)	9 300

The gains and losses in Inventory is the result of land held in inventory which were sold at its net realisable value.

The figure for the prior year was also restated and full details are disclosed in Note 38.on the Correction of Prior Period Errors

37. GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS

Property, Plant and Equipment	(2 265 364)	(5 717 769)
Total Losses on Disposal of Capital Assets	2 265 364	5 717 769

	2022	2021
	R	R

38. CORRECTION OF ERROR

38.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

		Accumulated Surplus
Balance published as at 30 June 2020		648 366 081
Correction of Error:-		(18 776 972)
Move erf 3783 to PPE/Land.	75 838	
Move erf 3783 from Inventory	(75 838)	
Restatement of Creditors at 30 June 2020	(485 037)	
Restatement of Assets found on the Floor	1 744 130	
Restatement of Assets duplicated in the assets register	(16 234 724)	
Restatement of Assets disposed but still in use	1 613 201	
Reduction of Inventory for the sites that were fully paid and transferred to owners of properties	(668 500)	
Restatement of Performance Bonus expenditure due during the 2019/2020 financial year.	(28 002)	
Restatement of Councillors UIF which need to be refunded as per 2013 circular.	(65 875)	
Restatement of Investment Property due to incorrect depreciation charges	309 023	
Restatement of Roads Infrastructure cost due to incorrect capitalisation	2 143	
Restatement of various assets depreciation due to incorrect depreciation charges	(5 680)	
Restatement of Inventory - Recognition of donated erf 181	15 760 606	
Restatement of Investment property to include Erf 176 Thabo Village transferred in on 23 June 2014	92 475	
Restatement of Investment property to include Erf 2310 (public service infrastructure) transferred in on 7 February 2013	177 415	
Restatement of Property, Plant and Equipment to include Erf 2311 (public service infrastructure) transferred in on 7 February 201	98 475	
Restatement of Property, Plant and equipment to include Erf 2329 (public service infrastructure) transferred in on 23 June 2014	195 450	
Restatement of Inventory - Remove duplicated erf 449 Public Open Space	(522 000)	
Restatement of Inventory - Remove duplicated erf 705 Public Open Space	(201 100)	
Restatement of Investment property to include Erf 3805 transferred to the municipality on 11 October 2019	610 000	
Restatement of Investment Property for the depreciation on the building on Erf 3805 for the 2019/20 year	(9 482)	
Restatement of Property, Plant and equipment to add back Ndlukhulu Access Road which was incorrectly disposed	(3 227)	
Restatement of PPE and Payables due to legal fees previously capitalised as part of the asset.	(2 278 253)	
Restatement of receivables due to the derecognition of Receivables from Non-exchange transactions	(3 221 315)	
Restatement of PPE, WIP on Roads previously incorrectly capitalised	(15 656 693)	
Restated Balance as at 30 June 2020		629 589 109
Transactions incurred for the Year 2020/21		48 017 757
Correction of Error:-		5 110 495
Restatement of Creditors proposals during 2021 audit	365 750	
Restatement of accruals due to period cut off	(95 483)	
Restatement of Assets found on the Floor	(211 494)	
Restatement of Assets duplicated in the assets register	1 795 217	
Restatement of Assets disposed but still in use	2 503 184	
Restatement of Assets disposals accounted for in the wrong year	682 208	
Reduction of Inventory for the sites that were fully paid and transferred to owners of properties	9 300	
Restatement of Investment Property for the depreciation on the building on Erf 3805 for the 2020/21 year	(13 159)	
Restatement of Property, Plant and equipment to add back Ndlukhulu Access Road which was incorrectly disposed	74 973	
Restated Balances as at 30 June 2021		682 717 361

38.2 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2020/21 Audited	Correction of Error	Restated Amount 2020/21
Employee Related Costs	131 631 470	-	131 631 470
Remuneration of Councillors	17 354 131	-	17 354 131
Depreciation and Amortisation	32 894 652	(1 492 310)	31 402 340
Impairment Losses	7 379 468	-	7 379 468
Contracted Services	15 817 478	(155 810)	15 661 671
Inventory Consumed	1 339 073	-	1 339 073
Transfers and Subsidies Paid	5 931 090	-	5 931 090
Operational Costs	28 545 809	(114 459)	28 431 350
Loss on Disposal of PPE	9 056 384	(3 338 616)	5 717 769
	249 949 557	(5 101 195)	244 848 362

Prior year amounts of items in Expenditure included in the Statement of Financial Performance have been restated as indicated below:

	Employee Related Costs	Depreciation and Amortisation	Operational Costs
Balance previously reported	**131 631 470**	**32 894 652**	**28 545 809**
Restatement of Creditors proposals during 2021 audit:			
External computer services			(8 234)
Professional bodies			(129 815)
Restatement of accruals due to period cut off			
External computer services			6 791
Municipal services			16 800
Restatement of assets found on the Floor		211 494	
Restatement of assets duplicated in the assets register		(1 795 217)	
Restatement of assets wrongly disposed before		78 252	
Restatement of Investment Property for the depreciation on the building on Erf 3805		13 159	
Restated Balance now reported	131 631 470	31 402 341	28 431 350

	Impairment Losses	Interest, Dividends and Rent on Land	Contracted Services
Balance previously reported	**7 379 468**		**15 817 478**
Restatement of Creditors proposals during 2021 audit:			
Maintenance of unspesified assets			(227 700)
Restatement of accruals due to period cut off			
Consultants and professionl services			71 893
Restated Balance now reported	7 379 468	-	15 661 671

	Loss on Disposal of PPE
Balance previously reported	**9 056 384**
Reversal of PPE disposal during the 2020/21 financial year for items still in use	(2 656 407)
Restatement of disposals accounted for in the incorrect year	(682 208)
Restated Balance now reported (Changed to a surplus on disposal)	5 717 768

Depreciation and Amortisation:
During the prior year depreciation was incorrectly expensed due to the following reasons:

Items were found on the floor and had to be recorded in the assets register.
Some assets were duplicated and needed to be removed
Items were disposed previously but was still in use and had to be brought back into the assets register.

Contracted Services:
Adjustments made to creditor accruals had an effect on the expenditure on contracted services before.

Operational Costs:
Adjustments made to creditor accruals had an effect on the expenditure on operational cost before.

Loss on sale of Assets:
Due to items previously disposed but still in use the loss on sale of assets disclosed before had to be restated.

38.3 Reclassification of Statement of Financial Position

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2020/21 Audited	Correction of Error	Restated Amount 2020/21
Current Assets			
Inventories	14 791 598	14 636 996	29 428 594
Receivables from Exchange Transactions	2 661 188	-	2 661 188
Statutory Receivables from Non-Exchange Transactions	3 319 372	-	3 319 372
Receivables from Non-exchange Transactions	3 221 312	(3 221 312)	(0)
VAT Receivable	1 685 799	(1 685 799)	-
Cash and Cash Equivalents	62 217 628	-	62 217 628
Operating Lease Receivables	128 861	-	128 861
Non-Current Assets			
Property, Plant and Equipment	558 038 227	(22 860 756)	535 177 471
Investment Property	106 143 630	811 744	106 955 373
TOTAL ASSETS	**752 207 615**	**(12 319 128)**	**739 888 487**
Current Liabilities			
Consumer Deposits	3 306 600	(20 000)	3 286 600
Provisions	2 629 333	-	2 629 333
Payables from Exchange Transactions	28 634 505	910 104	29 544 608
Payables from Non-exchange Transactions	653 281	-	653 281
Unspent Conditional Grants and Receipts	4 306 067	-	4 306 067
VAT Payable		457 243	457 243
Retirement Benefit Liabilities	13 933 000	-	13 933 000
Non-current Provisions	2 360 992	-	2 360 992
Minus TOTAL LIABILITIES	**55 823 779**	**1 347 347**	**57 171 126**
TOTAL NET ASSETS	**696 383 837**	**(13 666 474)**	**682 717 362**
Accumulated Surplus / (Deficit)	696 383 837	(13 666 474)	682 717 362
	-	-	-

Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

	Inventories	Receivables from Exchange Transactions	Receivables from Non-exchange Transactions
Balances previously published per AFS as at 30 June 2020	**14 439 795**	**1 964 149**	**8 184 393**
Move erf 3783 to PPE/Land.	(75 837)		
Reduction of Inventory for the sites fully paid and transferred to owners of properties	(668 500)		
Restatement of Inventory - Recognition of donated erf 181	15 760 605		
Restate to recognise unregistered inventory for Thabo Village (3787-3803)	354 528		
Restatement of Inventory - Remove duplicated erf 449 Public Open Space	(522 000)		
Restatement of Inventory - Remove duplicated erf 705 Public Open Space	(201 100)		
Restatement of Receivables from Non-exchange Transactions due to derecognition			(3 221 312)
Balances now published per AFS as at 30 June 2020	29 087 491	1 964 149	4 963 081
Transactions Incurred for the Year 2020/21	351 803	697 039	(1 643 709)
Reduction of Inventory for the sites fully paid and transferred to owners of properties	(10 700)		
Balances now published per AFS as at 30 June 2021	29 428 594	2 661 188	3 319 372

	Cash and Cash Equivalents	VAT Receivable	VAT Payable
Balances previously published per AFS as at 30 June 2020	34 343 510	2 728 285	-
Adjustment to VAT on Creditors accruals		30 096	
Balances now published per AFS as at 30 June 2020	34 343 510	2 758 382	-
Transactions incurred for the Year 2020/21	27 874 118	(1 042 486)	-
Adjustment to VAT on Retentions		487 280	
Restatement of accruals due to period cut off:			
Current assets		11 803	
Restatement due to Vat adjustment on Capital Projects iro Plant Hire R2 672 221		(2 214 978)	457 243
Balances now published per AFS as at 30 June 2021	62 217 628	-	457 243

	Property, Plant and Equipment	Investment Property	Payables from Exchange Transactions
Balances previously published per AFS as at 30 June 2020	**530 161 167**	**106 762 209**	**22 609 374**
Move erf 3783 from Inventory	75 837		
Restatement of accruals due to period cut off:			
Payables and accruals			515 134
Restatement of Assets found on the Floor but not in the assets register			
@ Cost	2 083 756		
@ Depreciation	(339 627)		
Restatement of Assets found duplicated in the assets register			
Electricity network @ Cost	(7 223 300)		
Electricity network @ Accumulative depreciation	273 699		
Roads @ Cost	(32 240 651)		
Roads @ Accumulative depreciation	22 955 529		
Restatement of Assets disposed but still in use			
@ Cost	3 403 805		
@ Depreciation	(1 790 604)		
Restatement of Payables concernign performance bonus which was due.			28 002
Restatement of Councillors UIF which need to be refunded as per 2013 circular.			65 875
Restate to recognise unregistered Inventory for Thabo Village (3787-3803)		(354 528)	
Restatement of IP to include Erf 176 Thabo Village transferred in on 23 June 2014		92 475	
Restatement of IP to include Erf 2310 (public service infrastructure) transferred in on 7 February 2013		177 415	
Restatement of PPE to include Erf 2329 (public service infrastructure) transferred in on 23 June 2014	195 450		
Restatement of PPE to include Erf 2311 (public service infrastructure) transferred in on 7 February 2013	98 475		
Restatement of IP to include the building on Erf 3805 transferred to the municipality on 11 October 2019		565 858	
Restatement of IP to include the land on Erf 3805 transferred to the municipality on 11 October 2019		44 142	
Restatement of IP for the depreciation on the building on Erf 3805 for the 2019/20 year		(9 482)	
Restatement of PPE to add back Ndlukhulu Access Road previously disposed @ Cost	(2 623 299)		
Restatement of PPE to add back Ndlukhulu Access Road previously disposed @ Cost	2 620 073		
Restatement of PPE to add back Ndlukhulu Access Road which was incorrectly disposed - Depreciation	74 973		
Restatement of PPE and Payables due to legal fees previously capitalised as part of the asset.	(2 278 253)		
Balances now published per AFS as at 30 June 2020	515 447 029	107 278 089	23 218 384
Transactions incurred for the Year 2020/21	27 877 061	(618 579)	6 025 131
Retensions raised and added to PPE value	468 390		
Retensions adjustment			955 670
Restatement of Creditors proposals during 2021 audit:			
Sanitation infrastructure aquisitions	(396 112)		
Payables and accruals			(761 862)
Restatement of accruals due to period cut off:			
Payables and accruals			107 285.90
Restatement of Assets found on the Floor - Depreciation	(211 494)		
Restatement of Assets found duplicated in the assets register - Depreciation	1 795 217		
Restatement of Assets disposed but still in use			
@ Cost	14 543 181		
@ Depreciation	(12 039 996)		
Restatement of Assets disposed of in the incorrect year			
@ Cost	2 511 822		
@ Depreciation	(1 829 614)		
Balances on Community Assets @ Cost Completed and Community Assets @ Work in Progress have been restated as the Tsomo Taxi rank was completed by 30 June 2021. The transfer has no effect on the total value of Property, Plant and Equipment.	2 454 882 (2 454 882)		
Vat adjustment on Capital Projects - Infrastructure Roads	2 672 221		
Restatement of Investment Property due to incorrect depreciation charges		309 023	
Restatement of Roads Infrastructure cost due to incorrect capitalisation	2 143		
Restatement of Roads Infrastructure depreciation due to incorrect depreciation charges	(790)		
Restatement of Community Assets depreciation due to incorrect depreciation charges	(557)		
Restatement of Computer equipment depreciation due to incorrect depreciation charges	(5 228)		
Restatement of Furniture and Office equipment depreciation due to incorrect depreciation charges	895		
Restatement of IP for the depreciation on the building on Erf 3805 for the 2020/21 year		(13 159)	
Restatement of Roads Infrastructure WIP due to over capitalisation	(15 656 690)		
Balances now published per AFS as at 30 June 2021	535 177 475	106 955 373	29 544 608

	Consumer Deposits
Balances previously published per AFS as at 30 June 2020	**3 251 218**
Transactions incurred for the Year 2020/21	55 382
Balances previously published per AFS as at 30 June 2021	3 306 600
Reduction of Inventory for the sites fully paid and transferred to owners of properties	(20 000)
Balances now published per AFS as at 30 June 2021	3 286 600

Inventory:
The opening balance of ***land Inventory*** was restated to correctly disclose the status Erf 3783 which was previously incorrectly included in Inventory.

The prior year amounts of Inventory have been restated to correctly disclose the **land Inventory** for which deposits was previously disclosed incorrectly under **consumer deposits**.
The prior year amounts of Inventory have been restated to correctly include donated properties erf 181 and Thabo Village transferred from Investment property.

VAT Receivable:
The opening balances VAT Receivable have been restated to correctly disclose the amount for VAT after **Retention** adjustments.

The prior year amounts of VAT Receivable have been restated after **Payables from Exchange Transactions** (creditor accruals/reversals) corrections were made.

Property, Plant and Equipment:

The opening balance of *Propert Plant and Equipment* was restated to correctly disclose the status of Erf 3783 which were previously incorrectly included in **Inventory**.

Furthermore, the opening balances for *Property, Plant & Equipment* have been restated to include **Retention** not accounted for before.

Furthermore, the opening balances for *Property, Plant & Equipment* have been restated to include assets found on the floor which were not recorded in the assets register.

Furthermore, the opening balances for *Property, Plant & Equipment* have been restated to remove assest which were duplicated in the assets register.

Furthermore, the opening balances for *Property, Plant & Equipment* have been restated to include assets previously disposed but still in use..

Furthermore, the opening balances for *Property, Plant & Equipment* have been restated for assets disposed in the incorrect year..

Investment Property:
The prior year amounts for Investment Property, and depreciation on a building, to include properties transferred to the municilality but never accounted for.

Investment property was restated after Thabo Village were transferred to inventory.

Payables from Exchange Transactions:
The opening balances of *Payables from Exchange Transactions* have been restated to correctly disclose the liability for Retentions at year end.

The prior year amounts of *Payables from Exchange Transactions* have been restated after adjustments made to Creditor Accruals previously not correctly accounted for.

Furthermore, the prior year amounts of *Payables from Exchange Transactions* have been restated to include a performance bonus due to the previous Municipal Manager and UIF previously deducted from Councillors which need to be refunded in accordance with a circular issued during 2013.

The prior year amounts of Payables from Exchange Transactions have also been restated to reverse legal fees accrued during the previous year.

38.4 Reclassification of the Cash Flow Statement

The prior year figures of Classes in the Cash Flow Statement have been restated to correctly classify the cash flow nature of transactions.

The effect of the Correction of Error is as follows:

	Prior Year Audited	Cash related movement	Restated Amount
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Other Receipts	5 086 811	(10 701)	5 076 110
VAT Received	1 042 486	2 173 138	3 215 624
Suppliers Paid	(14 399 749)	467 603	(13 932 146)
Other Payments	(33 863 221)	114 459	(33 748 762)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	(69 209 518)	(2 744 499)	(71 954 017)

These movements in cash related transactions were caused by prior year error corrections made.

39. CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year		(21 926 088)	53 128 252
Movement - Correction of prior period error posted direct to surplus account		-	
Adjustment for Non-cash Transactions included in Surplus / (Deficit):			
Employee Related Costs	Note 28.1	1 543 859	3 789 490
Depreciation and Amortisation	Note 29	32 485 786	31 402 340
Impairment Losses	Note 31.2	28 321 205	7 379 468
Receivables: Bad Debts Written-off		-	(1 812 524)
Transfer of Investment Property		24 283 369	-
Expenditure incurred from Provisions for Employee Related Costs		(1 336 000)	(521 000)
Expenditure incurred from Provisions for Other Payments		129 855	123 085
Adjustment for Transactions included in Surplus / (Deficit) directly recognised in Cash Flow:			
Losses on Disposal of Capital Assets	Note 38.1	2 265 364	5 717 769
Operating surplus before working capital changes		65 767 349	99 206 880
Decrease/(Increase) in Inventories		(23 782 120)	(341 103)
Decrease/(Increase) in Receivables from Exchange Transactions		(2 338 588)	(1 829 075)
Decrease/(Increase) in Statutory Receivables from Non-exchange Transactions		(7 170 198)	(4 603 759)
Decrease/(Increase) in Receivables from Non-exchange Transactions		-	1 812 524
Decrease/(Increase) in VAT Receivable		-	2 758 382
Decrease/(Increase) in Operating Lease Receivables		46 244	(15 416)
Increase/(Decrease) in Consumer Deposits		414 126	35 382
Increase/(Decrease) in Payables from Exchange Transactions		1 345 197	6 326 225
Increase/(Decrease) in Payables from Non-exchange Transactions		(398 813)	490 593
Increase/(Decrease) in Conditional Grants and Receipts		6 438 235	(4 469 777)
Increase/(Decrease) in VAT Payable		1 823 795	457 243
Other Non-Cash Movements			36
Cash Generated by / (Utilised in) Operations		42 145 227	99 828 134

40. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

All calculations and disclosed figures in this section are inclusive of VAT.

40.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:		
Opening Balance:	5 852 721	-
Unauthorised Expenditure Current Year:	29 393 255	21 088 632
- Current Year	29 393 255	21 088 632
Approved/Condoned by Council:	-	(15 235 911)
- Current Year	-	(15 235 911)
Unauthorised Expenditure awaiting authorisation	35 245 976	5 852 721

The current years unauthorised expenditure is as a result of entire review of asset register review which identified duplicated assets, assets belonging to other entities and impairment of assets due bad condition assessment. Unauthorised expenditure has been tabled to Council and was referred to MPAC.

- Non-cash	34 481 382	4 394 813
- Cash	1 692 841	1 457 908
	36 174 223	5 852 721

Analysed as follows:		
Non-cash:-		
Depreciation and Amortisation	7 825	7 825
Impairment Losses	34 473 557	4 386 988
	34 481 382	4 394 813
Cash:-		
Remuneration of Councillors	24 228	24 228
Interest, Dividends and Rent on Land	234 933	-
Transfers and Subsidies Paid	331 080	331 080
Operational Costs	1 102 600	1 102 600
	1 692 841	1 457 908

40.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful Expenditure:		
Opening Balance	16 750 435	16 684 650
- As previously stated	16 716 095	16 684 650
- Correction of error	34 340	
Fruitless and Wasteful Expenditure	2 513 185	31 444
- Current Year	2 513 185	31 444
Fruitless and Wasteful Expenditure awaiting condonement	19 263 620	16 716 095

Fruitless and wastefull expenditure is for the current and prior year as a result of amounts paid to suppliers in vain such as interest and for work not done. A report of this expenditure was tabled to Council, Council has refered it for futher investigation by MPAC . The prior year is still being subjected for investigated by MPAC .

40.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:		
Opening Balance:	45 208 818	37 785 773
- As previously stated	45 208 818	37 785 773
Irregular Expenditure Current Year:	1 395 933	7 423 045
- Current Year	1 020 046	5 359 016
- Prior Year	375 887	2 064 029
Irregular Expenditure awaiting condonation	46 604 751	45 208 818

Prior years Irregular Expenditure was referred to MPAC for investigation by Council, and the investigation is still in progress. The current years and restated Irregular Expenditure has been tabled to Council and it has since been noted and referred to MPAC for further investigation.

Current Year:

Incident	Deviation
Vokon Consulting - (2022: R 547 474.18)	*Non Compliance with SCM regulations*
MBSA Consulting - (2022: R 472 571.65)	*Non Compliance with SCM regulations*

Prior Year:

Incident	Deviation
KCS Consultants - (2021: R355 607.25)	*Procured in terms of SCM Regulation 32; no demonstrable discounts or benefits.*
Kuhle Mcebo Engineers - (2021: R3 698 400)	*Quorum of BAC was not met as per SCM Regulations*
Sub-Contractors of Tshiya- (2021: R263 241.05)	*Non compliance with GCC & CIDB Regulations*
Umphongolo Petroleum - (2021: R609 130)	*Non compliance with Reg 36*
Qaphela Qapela Quantity Surveyors (2021: R 400 000.00)	*Non compliance with Reg 36*
MFS Consulting Chartered Accounting (R 502 119.85)	*Non compliance with Reg 36*
1 Time safety (2021:R 33 348.85)	*Non compliance with Reg 36*
SG Msimang (2021:R 187 840.00)	*Non compliance with Reg 36*
Helushe (2021:R 1 137 235))	*Non compliance with CIDB Regulations*
Bahlaphing Construction JV Ptafkam and TBR (2021:R 340 495.91)	*Non Compliance with SCM regulations*
Bravopro 245/ Bob Mazwana (2021:215 102.32)	*Non Compliance with SCM regulations*
Rushmere Nouch Attorneys (2021:R 14 220.29)	*Non Compliance with SCM regulations*
Nettleltons Attorneys (2021:42 185.16)	*Non compliance with Reg 36*

41. ADDITIONAL DISCLOSURES IN TERMS OF APPLICABLE LEGISLATION

41.1 MUNICIPAL FINANCE MANAGEMENT ACT

41.1.1 Contributions to Organised Local Government - SALGA

Opening Balance	-	-
Council Subscriptions	1 542 691	1 282 364
Amount Paid - current year	(1 542 691)	(1 282 364)
Balance Unpaid (included in Creditors)	-	-

41.1.2 Medical Aid Contributions

Opening Balance	-	-
Current Year Contributions	14 458 093	13 650 370
Amount Paid - current year	(14 458 093)	(13 650 370)

Balance Unpaid (included in Creditors)	-	-

41.1.3 Pension Fund Contributions

Opening Balance	-	-
Current Year Contributions	21 391 440	20 140 783
Amount Paid - current year	(21 391 440)	(20 140 783)
Balance Unpaid (included in Creditors)	-	-

41.1.4 Audit Fees

Opening Balance		-
Current year Audit Fees	6 102 114	4 350 515
Amount Paid - current year	(6 096 616)	(4 350 515)
Balance Unpaid (included in Creditors)	5 498	-

41.1.5 PAYE, Skills Development Levy and UIF

Opening Balance	(2 510)	
Current year Payroll Deductions	23 266 887	22 392 390
Amount Paid - current year	(23 269 025)	(22 394 900)
Balance Unpaid (included in Creditors)	(4 647)	(2 510)

41.1.6 VAT

The net of VAT input receivables and VAT output payables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.

41.1.7 Councillor's arrear Consumer Accounts

At the reporting date no Councillor was in arrear on their municipal accounts.

Council has resolved to recover the money from the Councillors salary

41.1.8 Non-Compliance with the Municipal Finance Management Act

Interest charged on outstanding debtors - [MFMA 64 (2)(g)]

In terms of section 64 (2)(g) of the MFMA the municipality must charge interest on arrears, except where the council has granted exemptions in accordance with its budget related policies and within a prescribed framework. The municipality charges interest on over 60 days outstanding balances. 2 456 985 2 456 985

41.1.9 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Total for the deviations	54 877

ESRI 43 706

Esri South Africa is the only service provider that offers Esri products (the software which the Municipality is using for GIS and maping)Thus the ArcMap 10.8 software was bought from them and can only be maintaned yearly by them since they licensed it.

Truvelo Manufature pty ltd 11 171

Truvelo Manufacturers is the Sole Supplier of the Prolozer 111 or Truvelo LIDAR Machine (vehicle speed trap)for Traffic Law Enforcement .Calibration of Truvel LIDAR machine is done only by Truvelo Manufactures as they are the sole supplier.It is imposoble to follow the normal SCM processes for the calibration /or services of this machine.

42. COMMITMENTS FOR EXPENDITURE

42.1 Capital Commitments

- Approved and Contracted for:-	6 240 856	13 140 264
Infrastructure	6 240 856	12 149 878
Other	-	990 386
Total Capital Commitments	6 240 856	13 140 264
This expenditure will be financed from:		
Government Grants & Internal Funds	6 240 856	13 140 264
	6 240 856	13 140 264

42.2 Operational Commitments

- Approved and Contracted for:-		
Procurement of Financial Reporting and AFS Tools	131 360	126 800
Development of ICT Strategy,ICT Governance and Policy Review	-	300 045
Rental of Multi-Function Printing Solutin	153 514	604 580
Maintenance,Support and Licencing of an Existing Integrated SAGE Financial Management System	2 095 118	1 831 500
Fleet Tracking Services	325 052	553 199
Installation, Monitoring of Alarm System and 24 Hours Armed Response for 24 Hour	96 780	-
Website Development (Hosting) and Maintenance	-	48 300
Annual Financial Statement	933 984	
Updating of the Current Asset Register In-Line With Grap Requirements for Fixed Asset Classes for a Period of one Year	-	492 751
Total Operational Commitments	3 735 807	3 957 175
This expenditure will be financed from:		
Government Grants	2 516 950	2 384 699
Own Resources	1 218 858	1 572 476
	3 735 807	3 957 175

This committed expenditure relates to projects under Work in progress and will be financed by available bank facilities,retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

43. FINANCIAL INSTRUMENTS

43.1 Classification

FINANCIAL ASSETS:
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

Financial Assets	Classification		
Receivables from Exchange Transactions			
Refuse	Amortised cost	804 237	994 144
Affiliated/Related Parties/Associated Companies	Amortised cost	(7 356)	-
Property Rental Debtors	Amortised cost	677 908	1 334 256
Control, Clearing and Interface Accounts	Amortised cost	417 609	234 115
Receivables with Credit Balances	Amortised cost	157 409	98 673
Cash and Cash Equivalents			
Bank Balances	Fair value	61 083 042	62 217 628
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Receivables from Exchange Transactions	Refuse	804 237	994 144
Receivables from Exchange Transactions	Affiliated/Related Parties/Associated Companies	(7 356)	-
Receivables from Exchange Transactions	Property Rental Debtors	677 908	1 334 256
Receivables from Exchange Transactions	Control, Clearing and Interface Accounts	417 609	234 115
Receivables from Exchange Transactions	Receivables with Credit Balances	157 409	98 673
Cash and Cash Equivalents	Bank Balances	61 083 042	62 217 628
Total Financial Assets		63 132 849	64 878 817

FINANCIAL LIABILITIES:
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

Financial Liabilities	Classification		
Payables from Exchange Transactions			
Bonus	Amortised cost	2 594 977	2 743 284
Leave Accrual	Amortised cost	12 877 321	12 489 301
Other Payables	Amortised cost	4 445 856	4 442 874
Retentions	Amortised cost	4 130 138	4 028 431
Trade Creditors	Amortised cost	6 684 103	5 742 045
Exchange Receivables with Credit Balances	Amortised cost	157 409	98 673
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Payables from Exchange Transactions	Bonus	2 594 977	2 743 284
Payables from Exchange Transactions	Leave Accrual	12 877 321	12 489 301
Payables from Exchange Transactions	Other Payables	4 445 856	4 442 874
Payables from Exchange Transactions	Retentions	4 130 138	4 028 431
Payables from Exchange Transactions	Trade Creditors	6 684 103	5 742 045
Payables from Exchange Transactions	Exchange Receivables with Credit Balances	157 409	98 673
Total Financial Liabilities		30 889 805	29 544 608

43.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash
The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Trade and Other Receivables/Payables
The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities
The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities
The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2022, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-
Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-
Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-
Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

43.3 Capital Risk Management

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 17 and the Statement of Changes in Net Assets.

Gearing Ratio	2022 R	2021 R
The gearing ratio at the year-end was as follows:		
Debt	-	-
Cash and Cash Equivalents	(61 083 042)	(62 217 628)
Net Debt	(61 083 042)	(62 217 628)
Equity	660 791 273	682 717 362
Net debt to equity ratio	-9.24%	-9.11%

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

The Gearing Ratio of the municipality is currently negative, due to the municipality having no debt. If the value is negative, then this means that the municipality has net cash, i.e. cash at hand exceeds debt.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

43.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

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

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

43.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:
- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk
Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk
Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk
Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The maturity analysis below shows the remaining contractual maturities of the entity's financial liabilities based on the remaining period as at the reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 30 June 2022

	Less than 1 year	Between1 an 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	30 889 805			
Payables from non-exchange transactions	254 468			

At 30 June 2021

	Less than 1 year	Between1 an 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	29 544 608			
Payables from non-exchange transactions	653 281			

43.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 44.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

43.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

43.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis
The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 44.8 below:

Cash and Cash Equivalents:
If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:
- Surplus for the year ended 30 June 2022 would have increased / decreased by R616 503 (30 June 2021: R482 806). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

43.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents
The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables
There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Counterparty and Location	30 June 2022		30 June 2021	
	Credit Limit R	Carrying Amount R	Credit Limit R	Carrying Amount R
South African Bantu Trust	-	811 730	-	743 759
Sakaulis Prop (Pty) Ltd	-	625 355	-	583 419
Government of Transkei	-	713 605	-	659 467
South African Police Services	-	787 770	-	723 265
Vokuhle	-	1 031 795	-	689 533

	2022 R	2021 R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Receivables from Exchange Transactions	13 313 452	10 974 864
Receivables from Non-exchange Transactions	(0)	(0)
Bank, Cash and Cash Equivalents	61 083 042	62 217 628
Maximum Credit and Interest Risk Exposure	74 396 493	73 192 492

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Consumer Debtors:		
- Household	11.84%	18.64%
- Industrial / Commercial	16.64%	29.71%
- National and Provincial Government	8.53%	11.37%
- Other Classes	3.45%	3.22%
Other Debtors:		
- Other not Classified	9.59%	11.92%
Total Credit Risk	50.06%	74.85%

Bank and Cash Balances		
ABSA Bank Ltd	860 948	850 695
First National Bank	60 222 094	61 366 933
Total Bank and Cash Balances	61 083 041	62 217 628

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

Counterparties without external credit rating:-		
Group 1	204 704	293 411
Group 2	52 333	75 011
Total Receivables from Exchange Transactions	257 036	368 421

Credit quality Groupings:
Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.
Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.
Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

43. FINANCIAL INSTRUMENTS (Continued)

43.1 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2022								
Non-interest Bearing		0.00%	31 144 273	31 144 273	-	-	-	-
- Payables from Exchange transactions			30 889 805	30 889 805				
- Payables from Non-exchange transactions			254 468	254 468				
			31 144 273	**31 144 273**	-	-	-	-
			254 468.06					
30 June 2021								
Non-interest Bearing		0.00%	30 197 889	30 197 889	-	-	-	-
- Payables from Exchange transactions			29 544 608	29 544 608	-	-	-	-
- Payables from Exchange transactions			653 281	653 281	-	-	-	-
			30 197 889	**30 197 889**	-	-	-	-
			653 281.02					

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2022								
Non-interest Bearing		0.00%	2 049 807	2 049 807	-	-	-	-
Variable Interest Rate Instruments		3.62%	61 083 042	61 083 042	-	-	-	-
- Bank Accounts			61 083 042	61 083 042	-	-	-	-
			63 132 848	**63 132 848**	-	-	-	-
30 June 2021								
Non-interest Bearing		0.00%	2 661 188	2 661 188	-	-	-	-
Variable Interest Rate Instruments		3.88%	62 217 628	62 217 628	-	-	-	-
- Bank Accounts			62 217 628	62 217 628	-	-	-	-
			64 878 816	**64 878 816**	-	-	-	-

	2022	2021
	R	R

44. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes. All councillors belong to the Pension Fund for Municipal Councillors, whilst employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-
(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.
It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R13 635 464 (2021: R12 756 074) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

44.1 DEFINED BENEFIT SCHEMES

LA Retirement Fund (previously Cape Joint Pension Fund):
The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2018.

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2018 disclosed an actuarial valuation amounting to R1 776 (2017: R1 859) million, with a surplus of R63 (2017: R47) million, with a funding level of 103.7% (2017: 102.6%).

National Fund for Municipal Workers - Pension Fund:
The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The statutory valuation performed as at 30 June 2015 revealed that the net assets of the fund were R10 050 (30 June 2014: R9 032) million, with a funding level of 100,42% (30 June 2014: 100,10%).

The actuary certified that the assets of the fund are sufficient to cover 100,42% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%.

44.2 DEFINED CONTRIBUTION SCHEMES

Consolidated Retirement Fund for Local Government (previously Cape Joint Retirement Fund):
The scheme is subject to an tri-annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2018.

The statutory valuation performed as at 30 June 2018 revealed that the assets of the fund amounted to R24 108 (30 June 2017: R21 359) million, with funding levels of 100,4% and 128,0% (2017: 100,0% and 127,3%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,5% or 9,0%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Discovery Retirement Plan:
No information could be obtained.

Eastern Cape Group Municipal Gratuity Fund:
The scheme is subject to a tri-annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 31 March 2018.

The contribution rate payable is 5% by the members' councils, and no contributions are made by memebers. The actuarial valuation report at 31 March 2018 disclosed assets amounting to R34 (2015: R35) million, with a surplus of R2 (2015: surplus of R157) million, with a funding level of 100,0% (2015: 100,5%).

As at 31 March 2018 the assets of the fund were sufficient to cover members' fund credits and the data reserve in full. The fund was in a sound financial condition as at the valuation date in terms of section 16 of the Pension Funds Act, as amended.

Eastern Cape Group Municipal Pension Fund:
The scheme is subject to a tri-annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 31 March 2018.

The contribution rate payable is 9% by the members and 13% by their councils. The actuarial valuation report at 31 March 2018 disclosed assets amounting to R122 217 (2015: R119 461) million, with a deficit of R140 (2015: surplus of R750) million, with a funding level of 99,9% (2015: 100,6%).

As at 31 March 2018 the assets of the fund were insufficient to cover the liabilities and the contingency reserves in full. However, the fund is not in an unsound financial condition as at the valuation date in terms of section 16 of the Pension Funds Act, as amended.

LA Retirement Fund (previously Cape Joint Pension Fund):
The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2018.

The actuarial valuation report at 30 June 2018 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R2 018 (2017: R1 912) million, net investment reserve of R0 (2017: R0) million and a funding level of 100.0% (2017: 100.0%)

Metropolitan Retirement Fund:
No information could be obtained.

Municipal Councillors Pension Fund:
The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The statutory valuation performed as at 30 June 2015 revealed that the net assets of the fund were R2 552 (30 June 2012: R1 184) million, with a funding level of 101,8% (30 June 2012: 99,5%). The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

As reported by the Actuaries, the Fund was following an appropriate investment strategy duiring the valuation period.

The appointment of a Curator in terms of section 5(1) of the Financial Institutions (protection of funds) Act 2001 for the whole of the business

No further information could be obtained.

Municipal Workers Retirement Fund (previously South African Municipal Workers' Union Provident Fund:
The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2017.

The contribution rate payable is not less than 7,5% by the members and 18% by their councils. As from 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates.

The actuarial valuation report at 30 June 2017 disclosed assets amounting to R7 721 (2014: R6 575) million, with a funding level of 102,0% (2014: 111,7%). The Fund's assets are sufficient to cover the members' Fund Credits The Fund is therefore in a sound financial position.

None of the above mentioned plans are State Plans.

45. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.
To the best knowledge of management , no transactions were incurred to the related parties and no disclosure submitted to declare related party interest.

45.1 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 28 and 29 to the Annual Financial Statements.

46. CONTINGENT LIABILITIES

46.1 Court Proceedings:	100 000	1 826 000
Singisa Mayila & Other vs IYM Mr Mayila & Others are suing the municipality for unlawful demolition of their homes. The municipality is defending the case, and the outcome thereof is still uncertain.	-	-
Siyabonga Moni vs IYM Plaintiff suing the municipality for damages, alleging he sustained serious injuries after falling into an uncovered trench on the street excavated by the municipality.	-	-
Asanda Bokotho vs IYM Asanda Mbokotho is suing the municipality allerging one of the traffic officers assualted him on duty and claiming damages	100 000	200 000
Ilitha Lethu Waste vs IYM The case was awarded in favour of the Municipality and the respondent was to pay for its costs	-	1 626 000

47. EVENTS AFTER THE REPORTING DATE

- Forensic Investigation:
The Municipality embarked on a forensic Investigation of Cofimvaba Roads Construction, included in the investigation report was to evaluate the cost of the road as at 30 June 2022 which was conducted by the Engineers. The forensic investigation which included the evaluation of this project was only completed after reporting date. This is an adjusting event based on the cost of the valuation report which has an effect on work in progress.

- New contracts entered to:

The Municipality entered into new contracts after reporting date to the value of R34 819 775.13.

- Damaged Properties:

Investment Property - Erf 27b and 28b, Cofimvaba, 5280 burnt down on 07/07/2022 as result of a fire. The carrying value of the Investment Property at 30 June 2022 is R1 649 099.79.

- Damages to Municipal Infrastructure due to heavy rains:

The municipality has been affected by heavy rains which resulted to damages of the municipal infrastructure.

48. PRINCIPAL AND AGENT ARRANGEMENTS

Disclosure by agents

Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

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

The Municipality undertakes to handle Motor vehicle license issuing on behalf of the Department of Transport and Province and collects a commission of 19% plus VAT.

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

The Resources regarding the Licensing Department, remain their own and do not form part of the municipality's Financial statements.

Liabilities and corresponding rights of reimbursement recognised as assets
Liabilities incurred on behalf of the principal(s) that have been recognised by the entity have a Net Effect of RX that is still owed by the municipality and will be paid over to the Department of Transport in the new financial year.

Additional information
Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement.

Category(ies) of revenue received or to be received on behalf of the principal, are:

Categories	Additional details
Licensing Fees	Income collected on behalf of DOT and Provincial Transport for Motor Vehicle registration

Categoryies of expenses paid or accrued on behalf of the principal, are:
Amount of revenue received on behalf of the principal during the reporting period

49. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 39).

50. GOING CONCERN ASSESSMENT

The COVID-19 pandemic continues to have a devastating impact on the macro economy and a significant component of the institutions which operate therein. The municipality has not been immune to the impact of the pandemic. The impact and duration of the COVID-19 pandemic in the Province and Intsika Yethu Municipality's jurisdiction is uncertain at the date of this submission. Management of the municipality is however of the opinion that regardless of the possible effect of the COVID-19 pandemic, the municipality will continue to operate for the foreseeable future, which is usually regarded as at least the next 12 months from the reporting date, however not limited to this timeframe.

Management also considered the following matters in relation to the Going Concern position of Intsika Yethu Local Municipality:

(i) The municipality's cash flow forecast for the year to 30 June 2022 has been reviewed and management is satisfied that the municipality can continue in operational existence for the foreseeable future. The accumulated surplus and cash & cash equivalents as at 30 June 2021 was taken into consideration during the review.

(ii) The municipality is wholly dependent on the Department of Local Government and Traditional Affairs for continued funding of operations. The Annual Financial Statements are prepared on the basis that the municipality is a going concern and that the Department of Local Government and Traditional Affairs has neither the intention, nor the need to materially liquidate the scale of the municipality.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

51. SEGMENT REPORTING

For management purposes the municipality is broadly organised into business units based on the nature of operations and the services they provide. The municipality has ten primary reportable segments:

- The segment for Community Services and Public Safety:-
This segment consists of all services for community & social development, public safety and sport & recreation.

- The segment for Town Planning Services:-
This segment do the planning and development of all services such as Road Transport and Energy Sources in the municipal area.

- The segment for Waste Management-
This segment consists of all services for the management of solid waste in the municipal area.

- The segment for Other Services:-
This segment consists of services such as executive services, support services to the executive and finance & administration services and other minor services rendered in the municipal jurisdiction area.

No individually material operating segments have been aggregated to form the mentioned reportable operating segments. The municipality does not monitor segments geographically.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on non-financial metrics and the segment's operating surplus or deficit, measured consistently with the accounting policies applied in the Annual Financial Statements. However, the municipality's financing (Including finance costs and finance income) and revenue from taxes are managed on a group basis and are not allocated to operating segments.

The municipality operates within various geographical areas but operational results are only monitored within the business units as previously disclosed.

51.1 Segmental Analysis of Financial Performance

Year Ended 30 June 2022

Description	Community and Social Services	Public Safety	Health	Planning and Development	Road Transport	Energy Sources	Waste Management	Other	Total for Municipality
	R	R	R	R	R	R	R	R	R
REVENUE									
Revenue from Non-exchange Transactions									
Property Rates	-	-	-	-	-	-	-	10 945 943	10 945 943
Fines, Penalties and Forfeits	-	42 450	-	-	-	-	-	146 875	189 325
Licences and Permits	-	-	-	50 130	-	-	-	-	50 130
Transfers and Subsidies	749 347	-	-	1 057 000	2 696 917	-	-	217 562 615	222 065 879
Interest, Dividends and Rent on Land Earned	-	-	-	-	-	-	-	2 296 007	2 296 007
Revenue from Exchange Transactions									
Licences and Permits	-	-	-	-	-	-	-	1 838 844	1 838 844
Service Charges	-	-	-	-	-	-	1 316 361	-	1 316 361
Sales of Goods and Rendering of Services	23 371	-	-	36 895	-	-	-	328 977	389 243
Income from Agency Services	-	-	-	-	-	-	-	1 033 931	1 033 931
Rental from Fixed Assets	261	-	-	1 641	-	-	-	1 302 631	1 304 533
Interest, Dividends and Rent on Land Earned	-	-	-	-	-	-	-	3 316 833	3 316 833
Operational Revenue	-	-	-	-	-	-	-	855 041	855 041
Total Revenue	772 979	42 450	-	1 145 666	2 696 917	-	1 316 361	239 627 696	245 602 069
EXPENDITURE									
Employee Related Costs	36 814 774	-	-	8 048 158	33 316 957	-	-	54 410 454	132 590 343
Remuneration of Councillors	-	-	-	-	-	-	-	17 515 192	17 515 192
Depreciation and Amortisation	-	-	-	-	-	-	-	32 485 786	32 485 786
Impairment Losses	-	-	-	-	-	-	-	28 321 205	28 321 205
Interest, Dividends and Rent on Land	-	-	-	-	-	-	-	234 933	234 933
Contracted Services	899 446	-	99 120	3 414 310	2 823 656	161 054	1 047 245	7 669 564	16 114 395
Inventory Consumed	-	51 786	-	-	1 888 010	-	-	502 984	2 442 780
Transfers and Subsidies Paid	2 431 266	-	-	-	-	-	-	217 097	2 648 363
Operational Costs	537 271	-	-	513 372	2 020 924	-	6 238 283	23 528 194	32 838 043
Losses on Other Operations	-	-	-	-	-	-	-	71 753	71 753
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	2 265 364	2 265 364
Total Expenditure	40 682 757	51 786	99 120	11 975 839	40 049 546	161 054	7 285 529	167 222 526	267 528 158
Surplus/(Deficit) for the Year	(39 909 778)	(9 336)	(99 120)	(10 830 174)	(37 352 629)	(161 054)	(5 969 167)	72 405 170.59	(21 926 088)

51.2 Segmental Analysis of Capital Expenditure

Year Ended 30 June 2022

Description	Community and Social Services	Public Safety	Health	Planning and Development	Road Transport	Energy Sources	Waste Management	Other	Total for Municipality
	R	R	R	R	R	R	R	R	R
Capital Expenditure								-	-
Property, Plant and Equipment	425 039				33 583 849	886 996		9 170 134	44 066 018
Investment Property								-	-
Total for Capital Expenditure	**425 039**	-	-	-	**33 583 849**	**886 996**	-	9 170 134	**44 066 018**
Per Geografic Area									
Administrative (Whole of municipal area)	425 039	-	-	-	2 648 878	0	-	9 170 134	12 363 068
Ward 1 - Mangweni Access Road					3 257 625	238 032			3 495 658
Ward 1 - Sentile and Xeni Village						119 016			
Ward 2 - Tyelerha Village						102 732			102 732
Ward 3 - Luphindweni Access Road					4 033 744				4 033 744
Ward 5 - R61 to Diba Access Road					3 826 740				3 826 740
Ward 7- Shweni and Tom Sophethe Villages						221 749			221 749
Ward 7 - Lower Nqolosa Access Road					4 002 371				4 002 371
Ward 10 - Bholitye to Nomfenazana Access Road					4 774 556				4 774 556
Ward 12 - Kuyasa Dantrasha Access Road					3 951 327				3 951 327
Ward 12 - Lower Qitsi						102 733			102 733
Ward 16 - Mtyamde Access Road					2 826 020				2 826 020
Ward 18 - Qaqane and Phelandaba Village						102 733			102 733
Ward 19 - Mahlathini Access Road					4 262 588				4 262 588
Whole of municipal area	**425 039**	-	-	-	**33 583 849**	**886 996**	-	**9 170 134**	**44 066 018**