uMuziwabantu Local Municipality
Annual Financial Statements
for the year ended 30 June 2022

* See Note

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998), read with Section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	Local Municipality that provides infastructure and services to communities in a sustainable manner in order to promote social and economic development, and to promote a safe and healthy environment
MUNICIPAL COUNCIL	
Mayor	Cllr. LS Zungu (As from 09 November 2021)
	Cllr. NP Luthuli - Deputy Mayor (As from 11 February 2022)
Councillors (As from 09 November 2021)	Cllr. PN Shebi - Speaker
	Cllr. SR Vethe - Chief Whip
	Cllr. MV Vezi - Exco Member
	Cllr. N Ndadane
	Cllr. PN Sibutha
	Cllr. NM Machi (Inkosi)
	Cllr. VT Mbata
	Cllr. EZ Jali (Inkosi)
	Cllr. SMC Dlamini (Inkosi)
	Cllr. MN Machi (Inkosi)
	Cllr. AP Phungula
	Cllr. GM Cele
	Cllr. SS Maphumulo
	Cllr. L Dlamini
	Cllr. T Machi
	Cllr. AB Chala
	Cllr. SP Chala
	Cllr. MT Ncane
	Cllr. ZE Mbotho
	Cllr. SM Chala
	Cllr. NM Sigwebela
	Cllr. S Mzindle
	Cllr. BB Khayisa
	Cllr. BE Majola (Resigned during February 2022)
Councillors (Exited 08 November 2021)	Cllr. D Nciki - Mayor
	Cllr. TN Dzingwa - Deputy Mayor
	Cllr. MV Nyathi - Speaker
	Cllr. SJ Ncwane - Exco Member
	Cllr. MB Gavu
	Cllr. HJ Ngubelanga
	Cllr. CP Nkomo
	Cllr. CM Machi
	Cllr. GF Memela
	Cllr. KS Mteshane
	Cllr. TA Disane
	Cllr. Z Hlabe
	Cllr. MW Mbotho
	Cllr. NM Nozisali
	Cllr. AM Cele
	Cllr. NH Ngubelanga

General Information

	Cllr. SS Maphumulo
	Cllr. XC Mndlela
	Cllr. BE Majola
Grading of local authority	Grade 3
Accounting Officer	Mr W.T. Gumede
Registered office	Murchison Street Harding 4680
Postal address	Private Bax X1023 Harding 4680
Bankers	Nedbank Limited First National Bank Limited Investec Limited Standard Bank
Auditors	Auditor General of South Africa
Preparer	The annual financial statements preparation was supervised by: Mr Ivor Ogle

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The reports and statements set out below comprise the annual financial statements presented to the Municipal Council:

UIF	Unemplyement Insurance Fund
PAYE	Pay As You Earn
SDL	Skills Development Levy
VAT	Value Added Tax
GRAP	Generally Recognised Accounting Practice
CPI	Consumer Price Index
NCT	Nature Conservation Trust
SARS	South African Revenue Services
INEP	Intergrated National Electrification Programme
MWRG	Municipal Workers Retirement Fund
CFR	Consolidated Retirement Fund
SCM	Supply Chain Management
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
AGSA	Auditor General of South Africa
EPWP	Expanded Public Works Programme

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's management.

I certify that the salaries, allowances and benefits of councillors as disclosed in the financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of the Public Office Bearers Act, Act 20 of 1998 as dislcosed on 34.

The annual financial statements set out on page 6 to 81, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

Mr W.T. Gumede
Municipal Manager

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	4	1,679,582	1,605,909
Receivables from non-exchange transactions	5	12,081,097	16,271,557
VAT receivable	6	3,569,033	2,474,525
Receivables from exchange transactions	7	6,541,442	7,305,065
Cash and cash equivalents	8	125,442,144	133,418,215
		149,313,298	**161,075,271**
Non-Current Assets			
Investment property	9	2,710,000	2,710,000
Property, plant and equipment	10	426,210,637	385,392,121
Intangible assets	11	313,211	573,679
Heritage assets	12	170,000	170,000
Plantation inventories	3	38,400,476	36,186,652
		467,804,324	**425,032,452**
Total Assets		**617,117,622**	**586,107,723**
Liabilities			
Current Liabilities			
Finance lease obligation	14	2,558,034	-
Payables from exchange transactions	18	26,857,201	21,820,607
Consumer deposits	19	540,678	535,133
Employee benefit obligation	15	563,000	315,693
Unspent conditional grants and receipts	16	675,963	2,302,545
		31,194,876	**24,973,978**
Non-Current Liabilities			
Finance lease obligation	14	2,762,677	-
Employee benefit obligation	15	11,112,020	10,330,327
Provisions	17	22,474,566	5,761,471
		36,349,263	**16,091,798**
Total Liabilities		**67,544,139**	**41,065,776**
Net Assets		**548,652,590**	**545,041,947**
Reserves			
Revaluation reserve	13	54,294,126	54,294,126
Accumulated surplus		494,358,464	490,747,821
Total Net Assets		**548,652,590**	**545,041,947**

* See Note 48

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Afforestation scheme sales		13,056,680	11,197,096
Service charges	21	41,686,355	36,903,655
Rental of facilities and equipment	22	365,599	475,176
Agency services	24	498,261	628,384
Licences and permits	25	1,138,192	1,266,808
Other income	27	4,146,823	8,198,918
Interest received - investment	28	5,831,779	6,668,663
Total revenue from exchange transactions		**66,723,689**	**65,338,700**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	20,043,118	25,852,756
Property rates - penalties imposed	29	2,029,348	2,066,606
Transfer revenue			
Government grants & subsidies	31	140,785,766	143,051,906
Public contributions and donations	32	-	795,000
Fines, Penalties and Forfeits	23	367,000	679,900
Total revenue from non-exchange transactions		**163,225,232**	**172,446,168**
Total revenue	20	**229,948,921**	**237,784,868**
Expenditure			
Employee related costs	33	(75,372,298)	(75,414,120)
Remuneration of councillors	34	(8,196,462)	(8,653,160)
Depreciation and amortisation	35	(20,974,138)	(19,588,774)
Finance costs	37	(1,637,753)	(1,230,250)
Lease rentals on operating lease	26	(140,960)	(439,555)
Debt write-off	38	(32,695)	(3,698,527)
Afforestation General Expenses		(5,719,126)	(5,226,055)
Afforestation Cost of Sales		(10,049,527)	(4,994,231)
Bulk purchases	39	(38,048,407)	(34,400,914)
Contracted services	40	(28,461,639)	(24,932,824)
Transfers and Subsidies	30	(4,034,976)	(4,149,978)
Inventory consumed	4	(3,636,536)	(2,925,897)
General Expenses	41	(27,054,141)	(21,878,599)
Total expenditure		**(223,358,658)**	**(207,532,884)**
Operating surplus		**6,590,263**	**30,251,984**
Loss on disposal of assets	42	(149,392)	(2,031,867)
Actuarial gains/losses	15	827,839	(612,293)
Changes in value of plantation	3	2,213,824	(1,970,175)
Impairment loss	36	(5,871,892)	(729,764)
		(2,979,621)	**(5,344,099)**
Surplus for the year		**3,610,642**	**24,907,885**

* See Note 48

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	54,294,126	465,993,892	520,288,018
Adjustments			
Prior year adjustments - Note 48	-	(153,956)	(153,956)
Restated* Balance at 1 July 2020	**54,294,126**	**465,839,936**	**520,134,062**
Changes in net assets			
Surplus for the year	-	24,907,885	24,907,885
Total changes	-	24,907,885	24,907,885
Restated* Balance at 1 July 2021	**54,294,126**	**490,747,822**	**545,041,948**
Changes in net assets			
Surplus for the year	-	3,610,642	3,610,642
Total changes	-	3,610,642	3,610,642
Balance at 30 June 2022	**54,294,126**	**494,358,464**	**548,652,590**
Note(s)	13		

* See Note 48

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		75,520,911	71,680,880
Grants		139,159,184	147,765,578
Interest income		5,831,779	6,668,663
Other receipts		6,149,161	-
		226,661,035	226,115,121
Payments			
Employee costs		(81,762,230)	(83,591,251)
Suppliers		(102,376,799)	(88,601,442)
Finance costs		(1,637,753)	(432,909)
		(185,776,782)	(172,625,602)
Net cash flows from operating activities	44	**40,884,253**	**53,489,519**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(45,871,521)	(57,906,489)
Purchase of other intangible assets	11	(5,113)	(181,304)
Net cash flows from investing activities		**(45,876,634)**	**(58,087,793)**
Cash flows from financing activities			
Finance lease payments		(2,983,690)	(39,114)
Net increase/(decrease) in cash and cash equivalents		**(7,976,071)**	**(4,637,388)**
Cash and cash equivalents at the beginning of the year		133,418,215	138,055,603
Cash and cash equivalents at the end of the year	8	**125,442,144**	**133,418,215**

* See Note 48

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Afforestation scheme sales	-	-	**-**	13,056,680	**13,056,680**	Note 57.1
Service charges	43,876,000	-	**43,876,000**	41,686,355	**(2,189,645)**	Note 57.2
Rental of facilities and equipment	533,430	-	**533,430**	365,599	**(167,831)**	Note 57.3
Agency services	569,856	-	**569,856**	498,261	**(71,595)**	Note 57.4
Licences and permits	1,531,836	-	**1,531,836**	1,138,192	**(393,644)**	Note 57.5
Other income	12,161,630	(4,318,000)	**7,843,630**	4,146,823	**(3,696,807)**	Note 57.6
Interest received - investment	7,549,824	-	**7,549,824**	5,831,779	**(1,718,045)**	Note 57.7
Total revenue from exchange transactions	**66,222,576**	**(4,318,000)**	**61,904,576**	**66,723,689**	**4,819,113**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	23,621,256	-	**23,621,256**	20,043,118	**(3,578,138)**	Note 57.8
Property rates - penalties imposed	2,136,708	-	**2,136,708**	2,029,348	**(107,360)**	Note 57.8
Transfer revenue						
Government grants & subsidies	113,079,000	2,500,000	**115,579,000**	140,785,766	**25,206,766**	Note 57.9
Fines, Penalties and Forfeits	5,460	-	**5,460**	367,000	**361,540**	Note 57.10
Total revenue from non-exchange transactions	**138,842,424**	**2,500,000**	**141,342,424**	**163,225,232**	**21,882,808**	
Total revenue	**205,065,000**	**(1,818,000)**	**203,247,000**	**229,948,921**	**26,701,921**	
Expenditure						
Employee related cost	(82,036,000)	-	**(82,036,000)**	(75,372,298)	**6,663,702**	Note 57.11
Remuneration of councillors	(13,029,000)	-	**(13,029,000)**	(8,196,462)	**4,832,538**	Note 57.12
Depreciation and amortisation	(18,801,000)	(1,199,000)	**(20,000,000)**	(20,974,138)	**(974,138)**	Note 57.13
Impairment loss/ Reversal of impairments	(2,499,996)	-	**(2,499,996)**	(5,871,892)	**(3,371,896)**	Note 57.14
Finance costs	(239,818)	100,000	**(139,818)**	(1,637,753)	**(1,497,935)**	Note 57.15
Lease rentals on operating lease	(383,994)	-	**(383,994)**	(140,960)	**243,034**	Note 57.16
Debt write-off	-	-	**-**	(32,695)	**(32,695)**	Note 57.23
Afforestation General Expenses	(3,076,398)	3,076,398	**-**	(5,719,126)	**(5,719,126)**	Note 57.17
Afforestation cost of sales and general expenses	-	-	**-**	(10,049,527)	**(10,049,527)**	Note 57.17
Bulk purchases	(39,674,664)	-	**(39,674,664)**	(38,048,407)	**1,626,257**	Note 57.18
Contracted Services	(40,536,043)	3,170,794	**(37,365,249)**	(28,461,639)	**8,903,610**	Note 57.19
Transfers and Subsidies	(2,278,000)	(1,146,794)	**(3,424,794)**	(4,034,976)	**(610,182)**	Note 57.20
Inventory consumed	(1,332,336)	(2,305,000)	**(3,637,336)**	(3,636,536)	**800**	Note 57.21
General Expenses	(33,626,751)	(1,556,398)	**(35,183,149)**	(27,054,141)	**8,129,008**	Note 57.22
Total expenditure	**(237,514,000)**	**140,000**	**(237,374,000)**	**(229,230,550)**	**8,143,450**	
Operating surplus	**(32,449,000)**	**(1,678,000)**	**(34,127,000)**	**718,371**	**34,845,371**	
Loss on disposal of assets and liabilities	-	-	**-**	(149,392)	**(149,392)**	Note 57.23

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actuarial gains/losses	-	-	-	827,839	**827,839**	Note 57.23
Gain on biological assets and agricultural produce	-	-	-	2,213,824	**2,213,824**	Note 57.23
	-	**-**	**-**	**2,892,271**	**2,892,271**	
Surplus before taxation	**(32,449,000)**	**(1,678,000)**	**(34,127,000)**	**3,610,642**	**37,737,642**	
Actual Amount on Comparable Basis	**(32,449,000)**	**(1,678,000)**	**(34,127,000)**	**3,610,642**	**37,737,642**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1,939,208	-	**1,939,208**	1,679,582	**(259,626)**	
Receivables from non-exchange transactions	10,648,735	-	**10,648,735**	12,081,097	**1,432,362**	
VAT receivable	43,721,922	-	**43,721,922**	54,704,986	**10,983,064**	
Consumer debtors	9,812,955	-	**9,812,955**	6,541,442	**(3,271,513)**	
Cash and cash equivalents	(8,645,489)	-	**(8,645,489)**	125,442,144	**134,087,633**	
	57,477,331	**-**	**57,477,331**	**200,449,251**	**142,971,920**	
Non-Current Assets						
Investment property	2,710,000	-	**2,710,000**	2,710,000	**-**	
Property, plant and equipment	409,089,228	-	**409,089,228**	426,210,637	**17,121,409**	
Intangible assets	2,780,636	-	**2,780,636**	313,211	**(2,467,425)**	
Heritage assets	170,000	-	**170,000**	170,000	**-**	
Plantation inventories	-	-	**-**	38,400,476	**38,400,476**	
	414,749,864	**-**	**414,749,864**	**467,804,324**	**53,054,460**	
Total Assets	**472,227,195**	**-**	**472,227,195**	**668,253,575**	**196,026,380**	
Liabilities						
Current Liabilities						
Finance lease obligation	11,038	-	**11,038**	2,558,034	**2,546,996**	
Payables from exchange transactions	(51,113,224)	-	**(51,113,224)**	26,857,202	**77,970,426**	
VAT payable	37,889,241	-	**37,889,241**	51,135,953	**13,246,712**	
Consumer deposits	538,533	-	**538,533**	540,678	**2,145**	
Employee benefit obligation	-	-	**-**	563,000	**563,000**	
Unspent conditional grants and receipts	33,985,042	-	**33,985,042**	675,963	**(33,309,079)**	
	21,310,630	**-**	**21,310,630**	**82,330,830**	**61,020,200**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	2,762,677	**2,762,677**	
Employee benefit obligation	7,812,020	-	**7,812,020**	11,112,020	**3,300,000**	
Provisions	5,389,180	-	**5,389,180**	22,474,566	**17,085,386**	
	13,201,200	**-**	**13,201,200**	**36,349,263**	**23,148,063**	
Total Liabilities	**34,511,830**	**-**	**34,511,830**	**118,680,093**	**84,168,263**	
Net Assets	**437,715,365**	**-**	**437,715,365**	**549,573,482**	**111,858,117**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	54,294,126	-	**54,294,126**	54,294,126	**-**	
Accumulated surplus	383,421,239	-	**383,421,239**	495,279,356	**111,858,117**	
Total Net Assets	**437,715,365**	**-**	**437,715,365**	**549,573,482**	**111,858,117**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	23,924,000	-	**23,924,000**	71,680,880	**47,756,880**	
Service charges	39,954,000	-	**39,954,000**	-	**(39,954,000)**	
Grants	136,695,004	-	**136,695,004**	147,765,578	**11,070,574**	
Interest income	13,892,000	-	**13,892,000**	6,668,663	**(7,223,337)**	
	214,465,004	**-**	**214,465,004**	**226,115,121**	**11,650,117**	
Payments						
Suppliers and employees	(198,705,000)	-	**(198,705,000)**	(172,192,693)	**26,512,307**	
Net cash flows from operating activities	**15,760,004**	**-**	**15,760,004**	**53,922,428**	**38,162,424**	
Net increase/(decrease) in cash and cash equivalents	15,760,004	-	**15,760,004**	53,922,428	**38,162,424**	
Cash and cash equivalents at the end of the year	**15,760,004**	**-**	**15,760,004**	**53,922,428**	**38,162,424**	

1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

The impairment for trade receivables is calculated in terms of GRAP 104 and GRAP 108.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Impairment is determined in terms of GRAP 26.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

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

Useful lives of property, plant and equipment

The municipality depreciates assets over their estimated useful lives, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Allowance for doubtful debts

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

1.5 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of the plantations is based on the fair value of the plantation. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the pine trees.

A gain or loss arising on initial recognition of a biological asset that forms part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset that forms part of an agricultural activity is included in surplus or deficit for the period in which it arises.

A biological asset that forms part of an agricultural activity is derecognised on disposal or when the asset 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 a biological asset that forms part of an agricultural activity is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.6 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

1.6 Investment property (continued)

- administrative purposes, or
- sale in the ordinary course of operations.

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.

An investment property shall be derecognised on disposal or when investment property is permanently withdrawn from use and nor future economic benefits or service potential are expected from its disposal.

Fair value

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

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

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

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

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

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.

1.7 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.

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is carried at revalued amount being the fair value at the date of revaluation.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	30 years
Plant and machinery	Straight-line	10 - 20 years
Furniture and fixtures	Straight-line	10 - 15 years
Motor vehicles	Straight-line	7 - 20 years
Office equipment	Straight-line	5 - 30 years
IT equipment	Straight-line	5 - 20 years
Road infrastructure	Straight-line	5 - 15 years
Community	Straight-line	10 - 85 years
Solid waste assets	Straight-line	10 - 55 years

Accounting Policies

1.7 Property, plant and equipment (continued)

Solid waste: Landfill site	Straight-line	30 - 55 years
Electricity network	Straight-line	25 - 80 years
Roads	Straight-line	10 - 80 years
Leased assets	Straight-line	2 - 3 years

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.8 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 a 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.

1.9 Intangible assets

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

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

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Heritage assets

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 12).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

Impairment

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

Accounting Policies

1.10 Heritage assets (continued)

Transfers

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

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

Derecognition

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

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

1.11 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.

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

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

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

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

A financial asset is:

- cash;

1.11 Financial instruments (continued)

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;

Accounting Policies

1.11 Financial instruments (continued)

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

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

Class	Category
Finance leases	Financial liability measured at amortised cost
Trade payables	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

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

Class	Category
Revaluation reserve	Measured at fair value
Accumulated surplus	Measured at cost

1.12 Statutory receivables

Identification

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

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

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

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

1.12 Statutory receivables (continued)

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

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

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

Accounting Policies

1.12 Statutory receivables (continued)

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

1.13 Leases

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

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

Finance leases - lessee

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

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

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

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.14 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

Accounting Policies

1.14 Inventories (continued)

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

1.15 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also tests 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.

1.15 Impairment of cash-generating assets (continued)

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.

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.

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.16 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also tests 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:

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

Reversal of an impairment loss

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

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

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

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

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

1.17 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Accounting Policies

1.17 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

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

1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Accounting Policies

1.18 Provisions and contingencies (continued)

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

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

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

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

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

1.18 Provisions and contingencies (continued)

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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 tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.15 and 1.16.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

1.19 Commitments (continued)

- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.20 Revenue from exchange transactions

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

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Interest, royalties and dividends

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

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

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

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

1.21 Revenue from non-exchange transactions

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

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

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

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

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

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.

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.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.22 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all surplus (deficit) 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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:
- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.23 Investment income

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

1.24 Accounting by principals and agents

Identification

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

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

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

Accounting Policies

1.24 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

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

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

1.25 Comparative figures

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

1.26 Unauthorised expenditure

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

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

Accounting Policies

1.27 Fruitless and wasteful expenditure

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

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

1.28 Irregular expenditure

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

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

1.29 Segment information

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

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

Measurement

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

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

1.30 Budget information

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

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

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

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

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

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

Accounting Policies

1.31 Related parties

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

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

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

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

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

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

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

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

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

1.32 Events after reporting date

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

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

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

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

1.33 Biological assets

Biological assets (Plantation inventories) are recognised when the entity controls the asset as a result of past event, it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably. Biological assets for which fair value is determinable without undue cost or effort are measured at fair value less costs to sell, with the changes in fair value recognised in profit or loss. At the point of harvesting, the carrying value of plantation inventories is transferred to inventory. All the expenses incurred in establishing and maintaining the assets are recognised in the statement of comprehensive income. All costs incurred in acquiring plantation inventories are capitalised.

Agricultural produce is measured at fair value less costs to sell at the point of harvest. Such measurement is regarded as the cost. Gains or losses on initial measurement are recognised in profit or loss in the period in which they occur.

Accounting Policies

1.33 Biological assets (continued)

Biological assets are measured at fair value less cost to sell and were valued at year end using the sum of the standing value of each compartment of timber at current age, area planted and species. The value of timber for each age class is determined using the sector benchmark – the Faustmann Formula – by which the input costs are compounded from date of each particular silvicultural operation to the age of valuation using the calculated rate of return for the crop. This model incorporates estimates consistent with prior years. The estimates relate to the rate of return, net standing value, mean annual increment and opportunity cost of land use.

The valuation model provides for the input values per species leading to the determination of a standing value per age class. The plantation valuation is the sum of the product of the standing value per age class and the total number of planted hectares per species for each age class.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 : Employee Benefits	To be determined	Unlikely there will be a material impact
• iGRAP 7: Limit on the Defined Benefit Assets	To be determined	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	1 April 2023	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	1 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	1 April 2023	Unlikely there will be a material impact

3. Plantation inventories

Plantation inventories represent consumable biological assets held for harvest as an agricultural produce. The movement during the year represents a gain of R2 213 824 (2021: loss from changes of R1 970 175) in fair value. Plantation inventories are stated at fair value less estimated point of sale costs, based on the present value of net future cash flows from the asset discounted at a market determined pre-tax rate. The scheme reviews its outlook for standing timber prices regularly in considering the need for active financial risks management.

Plantations		
Opening balance	36,186,652	38,156,827
Gains/(losses) on changes in plantation standing timber value	2,213,824	(1,970,175)
	38,400,476	**36,186,652**

4. Inventories

Consumables	104,097	105,683
Maintenance materials	1,344,176	1,052,153
Afforestation Scheme	231,309	448,073
	1,679,582	**1,605,909**

No inventories are pledged as security for liabilities.

Inventory has been recorded using the weighted average cost method. Consumables are carried at a lower of cost or current replacement value. Materials and supplies are carried at a lower of cost or net realisable value. No inventory values were written-down or reversed. Inventories are reflected at fair value.

The amount of inventory recognised as an expense during the period:		
Materials and Supplies	3,097,828	2,398,009
Consumables	538,708	527,887
	3,636,536	**2,925,896**

Carrying value of inventories at the begining of the year	1,605,099	114,214
Inventories purchased during the year	3,711,019	4,416,781
Inventories recognised as an expense during the year	(3,636,536)	(2,925,896)
Carrying value of inventories at the end of the year	**1,679,582**	**1,605,099**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

5. Receivables from non-exchange transactions

Property rates	27,296,948	26,361,429
Traffic fines	3,618,350	3,256,850
Accrued income	63,102	1,077,134
Overpayments	9,956	9,956
	30,988,356	**30,705,369**

Property rates - allowance for impairment	(15,288,909)	(11,176,962)
Traffic fines - allowance for impairment	(3,618,350)	(3,256,850)
	(18,907,259)	**(14,433,812)**

Net balance		
Property rates	12,008,039	15,184,467
Accrued income	63,102	1,077,134
Overpayments	9,956	9,956
	12,081,097	**16,271,557**

Statutory receivables included in receivables from non-exchange transactions above are as follows:
Taxes

Subtotal	-	-
Property rates		
Current (0 - 30 days)	1,655,557	1,810,042
31 - 60 days	1,168,183	1,325,584
61 - 90 days	742,742	1,121,472
91 - 120 days	684,974	1,065,392
121 - 365 days	4,063,134	-
> 365 days	18,982,358	21,038,939
	27,296,948	**26,361,429**

Traffic fines		
Current (0 - 30 days)	24,400	62,600
31 - 60 days	18,200	26,100
61 - 90 days	24,300	46,900
91 - 120 days	22,600	34,000
121 - 365 days	272,000	496,530
> 365 days	3,256,850	2,590,720
	3,618,350	**3,256,850**

Accrued income		
Current (0 - 30 days)	63,102	1,077,134

Overpayments		
Current (0 - 30 days)	-	956
> 365 days	9,956	9,000
	9,956	**9,956**

Overpayments to suppliers occurred in the previous financial years. The municipality has not taken any legal action due to the fact that legal costs will most likely exceed the amounts that are overdue to suppliers. Should the internal collection processes not yield positive results in the next financial year, this amount will be written-off.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates are charged in terms of the Municipal Property Rates Act No.6 of 2004 to customers owning immovable properties within the municipality jurisdiction.

Traffic fines are issued to drivers in violation of Criminal Procedures Act No. 51 of 1977.

Determination of transaction amount

Transaction amount for Property rates is determined by applying the rates approved by the council to the market values of properties. Transaction amount is adjusted by exemptions and approved rebates to qualifying customers.

Transaction amount for Traffic fines is determined according to Schedule 3 of Administrative Adjudication of Road Traffic Offences Act.

Interest or other charges levied/charged

Interest rate of 11% (2021: 11%) is charged on all debtors' accounts with outstanding balances on property rates and there are no other levies charged.

Outstanding traffic fines balances are not charged interest.

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

Debtors with outstanding balances at the reporting date are assessed for impairment. Debtors age analysis is used and debtors owing more than 90 days are considered for impairment. Assessment for impairment is done at individual account balance first. This done taking into account the payment historical beheviour and credit rating checks.

Thereafter, debtors not impaired at individual level are grouped into Households and Industrial/Commercial categories for collective assessment. Government accounts are not assessed for impairment.

Discount rate applied to the estimated future cash flows

Prime rate of 7% (2021: 7%) is applied to determine the present value of estimated future cash flows on property rates receivables. Future cash flows are determined by applying the collection rate to the outstanding balances.

Reconciliation of provision for impairment for statutory receivables

Opening balance (Property rates and traffic fines)	(14,433,812)	(14,635,896)
Contributions to allowance	(4,473,447)	-
Impairment reversed	-	202,084
	(18,907,259)	**(14,433,812)**

Receivables from non-exchange transactions pledged as security

No receivables from exchange transactions are pledged as security for liabilities.

None of the receivables from exchange transactions have been renegotiated.

6. VAT receivable

VAT	3,569,033	2,474,525

Figures in Rand	2022	2021

6. VAT receivable (continued)

The Municipality accounts for value added tax on an accrual basis but claimed / paid over to SARS on a cash basis in accordance with Section 15 (2) of the Value Added Tax (Act No. 89 of 1991).

7. Receivables from exchange transactions

	2022	2021
Gross balances		
Electricity	6,272,124	5,342,008
Refuse	2,159,712	1,858,559
Afforestation debtors	1,078,151	929,868
Interest receivable	421,579	1,517,036
Other debtors	39,236	39,236
	9,970,802	**9,686,707**
Less: Allowance for impairment		
Electricity	(1,575,371)	(967,400)
Refuse	(1,814,752)	(1,382,372)
Other debtors	(39,237)	(31,870)
	(3,429,360)	**(2,381,642)**
Net balance		
Electricity	4,696,753	4,374,608
Refuse	344,960	476,187
Afforestation debtors	1,078,151	929,868
Interest receivable	421,579	1,517,036
Other debtors	(1)	7,366
	6,541,442	**7,305,065**
Electricity		
Current (0 -30 days)	2,481,601	2,438,357
31 - 60 days	1,275,878	1,023,712
61 - 90 days	525,188	469,865
91 - 120 days	277,873	275,571
121 - 365 days	933,599	-
> 365 days	777,985	1,134,503
	6,272,124	**5,342,008**
Refuse		
Current (0 -30 days)	246,287	200,919
31 - 60 days	154,737	121,549
61 - 90 days	110,569	93,534
91 - 120 days	91,156	78,604
121 - 365 days	486,393	-
> 365 days	1,070,571	1,363,953
	2,159,713	**1,858,559**
Afforestation debtors		
Current (0 -30 days)	1,078,151	929,868
Interest received		
Current (0 -30 days)	421,579	1,517,036
Other debtors		
> 365 days	39,236	39,236

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

7. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(2,381,642)	(3,178,742)
Contributions to allowance	(1,047,718)	-
Reversal of allowance	-	797,100
	(3,429,360)	**(2,381,642)**

No receivables from exchange transactions are pledged as security for liabilities.

None of the receivables from exchange transactions have been renegotiated.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	99	804
Bank balances	5,512,672	3,849,715
Short-term deposits	119,929,373	129,567,696
	125,442,144	**133,418,215**

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
NEDBANK - Primary Account - 1165033615	-	-	7,229,302	-	4,098,437	8,696,747
FNB BANK - Primary Account - 62846414936	4,688,193	1,438,824	15,621,377	4,439,302	(3,041,993)	14,265,990
FNB BANK - Afforestation Current Account - 50932742767	1,073,371	2,793,271	2,772,674	1,073,371	2,793,271	2,772,674
FNB BANK - Call Account - 61240006266	53,231	52,869	552,046	53,231	52,869	552,046
FNB BANK - Call Account - 62618238655	38,998	315,891	674,152	38,998	315,891	674,152
FNB BANK - Fixed Deposit Account - 62605479767	93,110	89,703	285,196	93,110	89,703	285,196
FNB BANK - Call Account - 74879185187	-	40,443,836	-	-	40,443,836	-
FNB BANK - Call Account - 74890904847	-	14,460,000	-	-	14,460,000	-
FNB BANK - Call Account - 74893076453	-	30,000,000	-	-	30,000,000	-
FNB BANK - Call Account - 74890906976	7,500	7,500	-	7,500	7,500	-
FNB BANK - Call Account - 74900565662	-	6,000,000	-	-	6,000,000	-
FNB BANK - Call Account - 62766746542	8,222	7,930	7,686	8,222	7,930	7,686
NEDBANK - Call Account - 037165018956/01	-	-	2	-	-	2
NEDBANK - Fixed Deposit Account - 037165015337/01	-	-	55	-	-	55
NEDBANK - Fixed Deposit Account - 037165014802/16	510,108	491,946	475,589	510,108	491,946	475,589
NEDBANK - Fixed Deposit Account - 037165014802/01	10,642,728	10,263,807	9,922,347	10,642,728	10,263,807	9,922,347
NEDBANK - Fixed Deposit Account - 037165018956/18	-	-	107	-	-	107
NEDBANK - Fixed Deposit Account - 037165013008/77	44,418,859	282,550	528,824	44,418,859	282,550	528,824
NEDBANK - Fixed Deposit Account - 037165013415/03	-	-	24	-	-	24
NEDBANK - Fixed Deposit Account - 037165026169/01	20,636,527	18,645	503,318	20,636,527	18,645	503,318
NEDBANK - Fixed Deposit Account - 037165013008/80	-	-	30,000,000	-	-	30,000,000
NEDBANK - Fixed Deposit Account - 037165026169/14	-	-	31,000,000	-	-	31,000,000
NEDBANK - Fixed Deposit Account - 037165013008/85	-	25,000,000	-	-	25,000,000	-
INVESTECT BANK - Fixed Deposit Account - 1100529803500	260,412	250,883	19,890,387	260,412	250,883	19,890,387
STANDARD BANK - Fixed Deposit Account - 258884908003	1,953,342	1,871,337	18,468,544	1,953,342	1,871,337	18,468,544
FNB Fixed deposit - 62943043638	5,109,971	-	-	5,109,971	-	-

Notes to the Annual Financial Statements

Figures in Rand					2022	2021
8. Cash and cash equivalents (continued)						
FNB Fixed deposit - 74943046249	20,000,000	-	-	20,000,000	-	-
FNB Fixed deposit - 62907392740	791,046	-	-	791,046	-	-
FNB-74929667754	15,394,520	-	-	15,394,520	-	-
AFFORESTATION	11,448	10,799	10,799	11,448	10,799	10,799
Total	**125,691,586**	**133,799,791**	**137,942,429**	**125,442,695**	**133,417,411**	**138,054,487**

The difference between bank statements and cash and cash equivalents is R248 891 (2021: R382 380) due to outstanding deposits.

9. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2,710,000	-	2,710,000	2,710,000	-	2,710,000

Reconciliation of investment property - 2022

	Opening balance	Total
Investment property	2,710,000	2,710,000

Reconciliation of investment property - 2021

	Opening balance	Total
Investment property	2,710,000	2,710,000

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

Various land where the council intends using it for future development and fair value discloses was based on the valuation by an independent valuer, BPG Mass Appraisals (Pty) Ltd, who holds a recognised and relevant professional qualification and has experience in the category of the valued investment properties. The properties are all vacant residential properties.

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The new general valuation will be implemented on 1 July 2022.

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	44,130,797	-	44,130,797	44,130,797	-	44,130,797
Buildings	67,978,077	(9,421,255)	58,556,822	66,061,518	(7,549,894)	58,511,624
Plant and machinery	31,470,268	(13,630,386)	17,839,882	31,539,007	(10,993,055)	20,545,952
Furniture and fixtures	6,093,599	(2,528,978)	3,564,621	6,056,295	(2,026,536)	4,029,759
Motor vehicles	12,464,560	(7,014,409)	5,450,151	11,731,040	(5,702,084)	6,028,956
IT equipment	6,630,131	(3,271,515)	3,358,616	5,431,639	(2,598,517)	2,833,122
Roads	211,331,269	(66,851,969)	144,479,300	206,054,501	(58,661,623)	147,392,878
Solid waste	50,374,458	(7,304,122)	43,070,336	33,487,944	(5,380,164)	28,107,780
Electricity	12,706,775	(7,677,716)	5,029,059	12,965,486	(7,809,701)	5,155,785
Community assets	64,789,566	(15,490,478)	49,299,088	46,208,658	(12,417,051)	33,791,607
Afforestation	4,532,281	(1,235,278)	3,297,003	3,844,257	(1,049,311)	2,794,946
Other leased Assets	7,532,464	(1,210,011)	6,322,453	198,975	(198,975)	-
Work in Progress	41,812,509	-	41,812,509	32,068,915	-	32,068,915
Total	**561,846,754**	**(135,636,117)**	**426,210,637**	**499,779,032**	**(114,386,911)**	**385,392,121**

No items of property, plant and equipment were acquired through non-exchange transactions.

Leased assets Includes fire truck acquired during the year

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Landfil site provision	Depreciation	Impairment loss	Total
Land	44,130,797	-	-	-	-	-	-	44,130,797
Buildings	58,511,624	-	-	2,207,808	-	(2,162,610)	-	58,556,822
Plant and machinery	20,545,952	47,652	(43)	-	-	(2,737,948)	(15,731)	17,839,882
Furniture and fixtures	4,029,759	201,364	(19,269)	-	-	(641,710)	(5,523)	3,564,621
Transport assets	6,028,956	733,518	-	-	-	(1,011,552)	(300,771)	5,450,151
IT equipment	2,833,122	1,317,853	(130,029)	-	-	(662,330)	-	3,358,616
Roads	147,392,878	369,955	-	4,454,627	-	(7,738,160)	-	144,479,300
Solid waste	28,107,780	-	-	-	16,155,673	(1,193,117)	-	43,070,336
Electricity	5,155,785	303,910	(51)	-	-	(430,585)	-	5,029,059
Community assets	33,791,607	-	-	18,580,908	-	(3,044,723)	(28,704)	49,299,088
Afforestation	2,794,946	689,113	-	-	-	(187,056)	-	3,297,003
Other leased Assets	-	7,221,219	-	-	-	(898,766)	-	6,322,453
Work in Progress	32,068,915	34,986,937	-	(25,243,343)	-	-	-	41,812,509
	385,392,121	**45,871,521**	**(149,392)**	**-**	**16,155,673**	**(20,708,557)**	**(350,729)**	**426,210,637**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Error correction	Total
Land	44,130,797	-	-	-	-	-	-	-	44,130,797
Buildings	5,213,157	-	-	-	53,672,124	(373,656)	-	(1)	58,511,624
Plant and machinery	25,084,588	2,038,304	(1,411,638)	-	-	(3,468,071)	(1,698,615)	1,384	20,545,952
Furniture and fixtures	1,778,175	2,797,961	(111,524)	-	-	(430,904)	(7,107)	3,158	4,029,759
Motor vehicles	7,340,376	392,635	(209,155)	-	-	(1,494,900)	-	-	6,028,956
IT equipment	1,700,516	1,811,725	(21,750)	-	-	(634,145)	(23,224)	-	2,833,122
Roads	125,075,909	-	(198,473)	-	30,971,499	(8,424,893)	-	(31,164)	147,392,878
Solid waste	29,349,332	-	-	-	-	(1,241,552)	-	-	28,107,780
Electricity	5,585,630	41,953	(22,716)	(39,307)	-	(440,975)	-	31,200	5,155,785
Community assets	36,500,856	-	-	-	-	(2,709,249)	-	-	33,791,607
Afforestation	1,711,417	1,177,973	(13,572)	-	-	(120,878)	-	40,006	2,794,946
Other leased Assets	8,365	-	-	-	-	(8,365)	-	-	-
Work in progress	67,165,538	49,549,648	-	-	(84,646,271)	-	-	-	32,068,915
	350,644,656	**57,810,199**	**(1,988,828)**	**(39,307)**	**(2,648)**	**(19,347,588)**	**(1,728,946)**	**44,583**	**385,392,121**

Pledged as security

No property, plant and equipment has been pledged as security for any liabilities of municipality:

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Harding Sport Precinct phase 1 Construction process was delayed due to bad weather conditions and natural disaster events hence completion of this project was delayed.	10,410,026	-
	10,410,026	**-**

This project was completed during the month of July 2022.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	8,113,658	21,692,108	2,263,151	32,068,917
Additions/capital expenditure	8,613,138	23,901,247	2,207,808	34,722,193
Disposal	-	(2,207,808)	-	(2,207,808)
Impairment	(251,485)	-	-	(251,485)
Transferred to completed items	(4,378,053)	(14,443,164)	(4,137,744)	(22,958,961)
	12,097,258	**28,942,383**	**333,215**	**41,372,856**

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	22,568,309	42,684,909	1,912,320	67,165,538
Additions/capital expenditure	13,501,438	17,216,445	18,831,768	49,549,651
Transferred to completed items	(27,956,089)	(38,209,246)	(18,480,937)	(84,646,272)
	8,113,658	**21,692,108**	**2,263,151**	**32,068,917**

Expenditure incurred to repair and maintain property, plant and equipment

	2022	2021
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	9,696,284	7,857,924

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

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

No compensation amounts were received in 2022. In the previous year, the municipality received R1 459 130 for the compensation of assets that were vandalised and stolen.

Refer to Note 45 for the amount of contractual commitments for the acquisition of property, plant and equipment.

No property, plant and equipment are carrying existing restrictions.

Notes to the Annual Financial Statements

Figures in Rand

11. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,863,005	(1,549,794)	313,211	1,857,893	(1,284,214)	573,679

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software, other	573,679	5,113	(265,581)	313,211

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	871,472	(297,793)	573,679

Other information

Computer software includes Microsoft, payday and Munsoft licences.

12. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	170,000	-	170,000	170,000	-	170,000

Reconciliation of heritage assets 2022

	Opening balance	Total
Mayoral chain	170,000	170,000

Reconciliation of heritage assets 2021

	Opening balance	Total
Mayoral chain	170,000	170,000

Contractual commitments for the acquisition, maintenance and restoration of heritage assets

No contractual commitments for the acquisition, maintenance and restoration of heritage assets are in place at the moment.

13. Revaluation reserve

Opening balance	54,294,126	54,294,126

This fund is regulated by the agreements and directives that are issued by the Human Settlements department and has a dedicated bank account

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

14. Finance lease obligation

Minimum lease payments due		
- within one year	2,983,691	-
- in second to fifth year inclusive	2,983,691	-
	5,967,382	-
less: future finance charges	(646,671)	-
Present value of minimum lease payments	**5,320,711**	**-**

Present value of minimum lease payments due		
- within one year	2,558,034	-
- in second to fifth year inclusive	2,762,677	-
	5,320,711	**-**

Non-current liabilities	2,762,677	-
Current liabilities	2,558,034	-
	5,320,711	**-**

It is municipality policy to lease motor vehicles and equipment under finance leases. See Note 10 for futher details

The average lease term was 3 years and the average effective borrowing rate was 8%.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

15. Employee benefit obligations

Post employment Medical Subsidy

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

Non-current liabilities	(7,356,000)	(6,817,000)
Current liabilities	-	-
	(7,356,000)	**(6,817,000)**

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

Opening balance	(6,817,000)	(5,240,000)
Net expense recognised in the statement of financial performance	(539,000)	(1,577,000)
	(7,356,000)	**(6,817,000)**

Net expense recognised in the statement of financial performance

Current service cost	(591,000)	(427,000)
Interest cost	(731,000)	(601,000)
Actuarial (gains) losses	783,000	(549,000)
	(539,000)	**(1,577,000)**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

15. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.84 %	10.30 %
Expected rate of return on assets	8.45 %	7.20 %
Expected rate of return on reimbursement rights	3.13 %	3.29 %

Health Care Cost Inflation Rate

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 8.45% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.95%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.13% which derives from ((1+11.84%)/(1+8.45%))-1.
The expected inflation assumption of 6.95% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4.11%) and those of fixed interest bonds (11.84%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+11.84%-0.50%)/(1+4.11%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2023

Replacement Ratio
This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

15. Employee benefit obligations (continued)

Example of mortality rates used were as follows:

		Female
Average retirement age	62	62
Mortality during employment	SA85-90	SA85-90

Members withdrawn from services : (Average for males and females)

	Male	Female
Age 20	9%	9%
Age 30	6%	6%
Age 40	5%	5%
Age 50	3%	3%
Age +55	0%	0%

Long Service Award

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	4,319,000	3,829,000
Non-current liabilities	(3,756,000)	(3,513,307)
Current liabilities	(563,000)	(315,693)
	(4,319,000)	**(3,829,000)**

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

Opening balance	(3,829,000)	(2,572,000)
Net expense recognised in the statement of financial performance	(490,000)	(1,257,000)
	(4,319,000)	**(3,829,000)**

Net expense recognised in the statement of financial performance

Current service cost	(469,000)	(315,000)
Interest cost	(347,000)	(196,000)
Actuarial (gains) losses	44,839	(63,293)
Curtailment	-	158,293
Settlement	-	(841,000)
Benefits vesting	281,161	-
	(490,000)	**(1,257,000)**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.25 %	9.62 %
Expected rate of return on assets	7.42 %	5.91 %
Expected rate of return on reimbursement rights	3.56 %	3.50 %

Example of mortality rates used were as follows:

	Male	Female
Average retirement age	62	62
Mortality during employment	SA85-90	SA85-90

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

15. Employee benefit obligations (continued)

Members withdrawn from services : (Average for males and females)

	Female	
Age 20	9%	9%
Age 30	6%	6%
Age 40	5%	5%
Age 50	3%	3%
Age +55		-

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Small town rehabilitation grant	-	1,805,466
Sports and recreation grant	24,080	24,080
Energy Efficiency Demand Side Managent	157,234	-
Land use management systems	73,000	73,000
Electrification grant	421,650	(1)
Disaster management grant	-	400,000
	675,964	**2,302,545**

Movement during the year

Balance at the beginning of the year	2,302,545	4,963,377
Additions during the year	40,153,004	32,638,000
Income recognition during the year	(41,779,585)	(35,298,832)
	675,964	**2,302,545**

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

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

17. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Change in discount factor	Reduction due to re-measurement	Total
Landfill sites	5,761,471	557,422	16,155,673	22,474,566

Reconciliation of provisions - 2021

	Opening Balance	Reduction due to re-measurement	Total
Landfill sites	5,389,180	372,291	5,761,471

The Harding general landfill site is amortised over a period of 25 years as per Lawu Legacy report. The provision is created for the rehabilitation of the current operational sites which are evaluated to reflect the best estimate at the reporting date.

The landfill site has been disclosed at a present value discounted at an interest rate of 9,77%. No amount is expected for reimbursement.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

18. Payables from exchange transactions

Trade payables	7,686,582	5,323,190
Payments received in advanced - contract in process	518,040	326,523
Accrued leave pay	6,109,610	5,533,029
Accrued bonus	2,088,828	1,958,278
Retentions	5,765,748	4,105,049
Housing - Agency/ Principal relationship transactions	2,498,906	2,498,906
Other creditors - Afforestation	596,621	1,423,708
INEP	1,583,266	651,924
Salary control	9,600	-
	26,857,201	**21,820,607**

19. Consumer deposits

Electricity	525,207	525,207
Housing rental	15,471	9,926
	540,678	**535,133**

Consumers upon application for electricty meter connections pay consumer deposits. The deposit can be used to offset long oustanding debtors. Consumer deposits are refunded when the house is sold after the municipality has issued a clearence certificate.

20. Revenue

Sale of goods	13,056,680	11,197,096
Service charges	41,686,355	36,903,655
Rental of facilities and equipment	365,599	475,176
Agency services	498,261	628,384
Licences and permits	1,138,192	1,266,808
Other income	4,146,823	8,198,918
Interest received - investment	5,831,779	6,668,663
Property rates	20,043,118	25,852,756
Property rates - penalties imposed	2,029,348	2,066,606
Government grants & subsidies	140,785,766	143,051,906
Public contributions and donations	-	795,000
Fines, Penalties and Forfeits	367,000	679,900
	229,948,921	**237,784,868**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	13,056,680	11,197,096
Service charges	41,686,355	36,903,655
Rental of facilities and equipment	365,599	475,176
Agency services	498,261	628,384
Licences and permits	1,138,192	1,266,808
Other income	4,146,823	8,198,918
Interest received - investment	5,831,779	6,668,663
	66,723,689	**65,338,700**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

20. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	20,043,118	25,852,756
Property rates - penalties imposed	2,029,348	2,066,606
Transfer revenue		
Government grants & subsidies	140,785,766	143,051,906
Public contributions and donations	-	795,000
Fines, Penalties and Forfeits	367,000	679,900
	163,225,232	**172,446,168**

21. Service charges

Sale of electricity	38,944,505	34,222,260
Solid waste	2,741,850	2,681,395
	41,686,355	**36,903,655**

Included in service charges is free basic services for both electricity and refuse removal.

22. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	365,599	475,176

23. Fines, Penalties and Forfeits

Traffic Fines	367,000	679,900

24. Agency services

Vehicle Registration	498,261	628,384

25. Licences and permits (exchange)

Road and Transport	1,138,192	1,266,808

26. Lease rentals on operating lease

Equipment		
Contractual amounts	140,960	98,241
Lease rentals on operating lease - Other		
Contractual amounts	-	341,314
	140,960	**439,555**

The municipality is leasing buildings and photocopiers. Lease agreements do not provide for contingent rent payments. Lease payments for buildings are subject to escalate at a rate of 8% over the lease period. Lease payments for photocopiers are not subject to escalation. No restrictions are imposed by lease arrangements. See note 45 for futher details.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

27. Other income

Housing revenue	2,094,975	4,977,195
Sale of tender documents	55,485	104,375
Business Licence	33,511	128,592
Rank Permit	-	10,091
NCT Distribution payment	-	217,391
SARS interest Income	186,716	480,743
Sale of Sites	618,664	50,722
Building plan fees	73,103	99,524
Burial fees	52,820	84,806
Other revenue	162,504	456,800
Insurance payout	710,297	1,459,130
Afforestation	158,748	129,549
	4,146,823	**8,198,918**

28. Interest received - investment

Interest revenue		
Bank	5,831,779	6,668,663

29. Property rates

Rates levied

Residential	4,892,890	5,321,767
Commercial	9,584,126	9,791,863
State	7,021,411	9,463,648
Small holdings and farms	2,646,074	1,271,521
Public service infrastructure	3,957	3,957
Less: Income forgone	(4,105,340)	-
	20,043,118	25,852,756
Property rates - penalties imposed	2,029,348	2,066,606
	22,072,466	**27,919,362**

Valuations

Residential	605,053,000	605,053,000
Commercial	500,831,000	500,831,000
State	447,200,000	447,200,000
Municipal	41,452,000	41,452,000
Small holdings and farms	787,466,000	787,466,000
Public Service Infrastructure	5,812,000	5,812,000
Public Benefit Organisations	59,700,000	59,700,000
Heritage site	1,110,000	1,110,000
Other	13,510,000	13,510,000
	2,462,134,000	**2,462,134,000**

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

The new general valuation will be implemented on 01 July 2022.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

30. Transfers and subsidies

Other subsidies		
Contributions to UGU (South Coast Tourism)	242,559	396,693
Cost to free basic services	3,792,417	3,753,285
	4,034,976	**4,149,978**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

31. Government grants and subsidies

Operating grants

Equitable share	100,390,000	111,402,178
Free basic: Equitable share	-	3,725,400
Covid - 19 Disaster Grant	-	286,328
The Energy Efficiency Demand Side Management	2,842,766	-
Disaster management grant	400,000	-
Financial management grant	1,850,000	1,900,000
Provincialisation & community library	1,859,000	1,768,000
EPWP grant	980,000	1,048,000
	108,321,766	**120,129,906**

Capital grants

Municipal infrastructure grant	32,464,000	22,922,000
	140,785,766	**143,051,906**

Conditional and Unconditional

Included in above are the following grants and subsidies recognised:

Conditional grants received	40,153,004	32,638,000
Unconditional grants received	100,390,000	115,127,578
	140,543,004	**147,765,578**

Equitable Share

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

Small town rehabilitation grant

Balance unspent at beginning of year	1,805,466	1,805,466
Repaid	(1,805,466)	-
	-	**1,805,466**

Conditions still to be met - remain liabilities (see note 16).

Sports and recreation grant

Balance unspent at beginning of year	24,080	24,080

Conditions still to be met - remain liabilities (see note 16).

Financial management grant

Current-year receipts	1,850,000	1,900,000
Conditions met - transferred to revenue	(1,850,000)	(1,900,000)
	-	-

Municipal infrastructure grant

Balance unspent at beginning of year	-	2,373,578
Current-year receipts	32,464,000	22,922,000
Withheld by National Treasury	-	(2,373,578)
Conditions met - transferred to revenue	(32,464,000)	(22,922,000)

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

31. Government grants and subsidies (continued)

	-	-

Provincialisation & community library

Current-year receipts	1,859,000	1,768,000
Conditions met - transferred to revenue	(1,859,000)	(1,768,000)
	-	-

EPWP grant

Current-year receipts	980,000	1,048,000
Conditions met - transferred to revenue	(980,000)	(1,048,000)
	-	-

Covid - 19 Disaster Grant

Balance unspent at beginning of year	-	286,328
Conditions met - transferred to revenue	-	(286,328)
	-	-

Land use management systems grant

Balance unspent at beginning of year	73,000	73,000

Conditions still to be met - remain liabilities (see note 16).

The Energy Efficiency Demand Side Management

Current-year receipts	3,000,000	-
Conditions met - transferred to revenue	(2,842,766)	-
	157,234	-

Conditions still to be met - remain liabilities (see note 16).

Disaster management grant

Balance unspent at beginning of year	400,000	400,000
Conditions met - transferred to revenue	(400,000)	-
	-	**400,000**

Conditions still to be met - remain liabilities (see note 16).

32. Public contributions and donations

Donations from uGu District Municipality	-	795,000

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

33. Employee related costs

Basic	49,418,593	48,823,703
Bonus	3,541,638	3,227,048
Medical aid - company contributions	3,619,312	3,316,636
UIF	446,515	393,195
SDL	581,414	555,536
Leave pay provision charge	654,755	512,038
Overtime payments	3,335,038	5,957,327
Car allowance	3,224,383	2,419,001
Housing benefits and allowances	178,433	169,751
Post retirement employee benefits	1,060,000	1,424,707
Cell phone allowances	539,804	421,836
Pension	8,772,413	8,193,342
	75,372,298	**75,414,120**

Remuneration of Municipal Manager - Mr WT Gumede (July 2021 to June 2022)

Annual Remuneration	995,160	995,160
Car Allowance	192,000	192,000
Cell phone, Travel and other	45,556	46,412
Contributions to UIF, Medical and Pension Funds	2,125	1,931
Performance bonus	130,288	142,460
	1,365,129	**1,377,963**

Remuneration of Chief Finance Officer - Ms.SN Vilakazi (July 2021 to August 2021)

Annual Remuneration	104,500	626,997
Car Allowance	42,194	253,161
Cell phone and Travel	10,038	35,051
Contributions to UIF, Medical and Pension Funds	1,868	1,931
Leave payout	52,810	-
Performance Bonuses	96,816	80,681
	308,226	**997,821**

Remuneration of Director: Technical services - Mr SP Malinga (July 2021 February 2022)

Annual Remuneration	539,296	808,943
Car Allowance	120,000	180,000
Cell phone and Travel	25,203	23,088
Contributions to UIF, Medical and Pension Funds	3,004	1,931
Leave payout	77,658	19,414
Performance Bonuses	108,784	108,783
	873,945	**1,142,159**

Remuneration of Director: Corporate services - Mrs Z Mbhele (July 2021 to June 2022)

Annual Remuneration	799,309	799,309
Car Allowance	189,634	189,634
Cell phone and Travel	34,607	30,951
Contributions to UIF, Medical and Pension Funds	3,403	1,931
Performance Bonuses	108,784	108,783
	1,135,737	**1,130,608**

Remuneration of Director: Community services - Adv Brijraj (July 2021 to June 2022)

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

33. Employee related costs (continued)

Annual Remuneration	799,309	799,309
Car Allowance	189,634	189,634
Cell phone and Travel	25,698	27,474
Contributions to UIF, Medical and Pension Funds	3,403	1,931
Performance Bonuses	98,894	74,170
	1,116,938	**1,092,518**

34. Remuneration of councillors

Executive Mayor	880,570	913,868
Deputy Executive Mayor	740,077	739,975
Mayoral Committee Members	1,014,042	1,393,004
Speaker	743,445	739,975
Councillors	4,818,329	4,866,328
	8,196,463	**8,653,150**

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has two full-time bodyguards. The Speaker have two full-time bodyguards.

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

35. Depreciation and amortisation

Property, plant and equipment	20,708,557	19,290,922
Intangible assets	265,581	297,852
	20,974,138	**19,588,774**

36. Impairment of assets

Impairments		
Property, plant and equipment	350,729	1,728,946
Receivables from non-exchange revenue	5,521,163	(999,182)
	5,871,892	**729,764**

37. Finance costs

Trade and other payables	559,753	432,909
Finance leases	-	341
Employee benefits obligations	1,078,000	797,000
	1,637,753	**1,230,250**

38. Debt write-off

Bad debt written off	32,695	3,698,527

39. Bulk purchases

Electricity - Eskom	38,048,407	34,400,914

Figures in Rand	2022	2021

39. Bulk purchases (continued)

Electricity losses

Total purchases (kWh)	25,783,340	25,609,181
Total sold (kWh)	(24,936,245)	(23,924,310)
Total loss in kWh	**847,095**	**1,684,871**
Total loss in rands	476,623	1,653,525
Percentage Loss:		
Electricity distribution losses - percentage	3 %	7 %

40. Contracted services

Outsourced Services		
Business and Advisory	998,677	2,184,870
Cleaning Services	111,560	-
Clearing and Grass Cutting Services	479,256	455,013
Fire Services	1,036,791	81,944
Hygiene Services	274,393	562,256
Internal Auditors	494,160	571,529
Meter Management	-	3,204
Personnel and Labour	696,642	-
Professional Staff	667,460	880,805
Refuse Removal	189,786	97,593
EPWP	899,470	-
Transport Services	343,113	260,695
Consultants and Professional Services		
Business and Advisory	987,309	560,264
Infrastructure and Planning	3,549,867	4,050,864
Legal Cost	953,039	820,648
Contractors		
Artists and Performers	184,847	-
Building	58,897	-
Catering Services	722,168	656,294
Employee Wellness	182,916	72,533
Event Promoters	170,406	59,900
Maintenance of Equipment	9,631,919	7,435,122
Maintenance of Unspecified Assets	125,278	427,082
Safeguard and Security	5,586,135	5,475,212
Sports and Recreation	-	9,360
Stage and Sound Crew	117,550	227,682
Removal of Hazardous Waste	-	39,954
	28,461,639	**24,932,824**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

41. General expenses

Advertising	4,721,273	3,829,110
Auditors remuneration	2,335,554	1,874,638
Bank charges	356,960	336,180
Commission paid	490,736	421,443
Entertainment	405,114	152,242
Hire	114,000	78,059
Insurance	1,842,052	956,062
IT expenses	5,039,700	4,146,568
Levies	-	555,536
Fuel and oil	1,441,602	1,731,891
Postage and courier	61,879	36,987
Printing and stationery	733,426	695,029
Protective clothing	983,429	893,252
Subscriptions and membership fees	1,963,151	841,414
Training	-	1,303,275
Travel - local	385,286	540,414
Utilities	2,168,670	616,007
Job evaluation	1,623,200	-
Learnerships and Internships	25,250	312,923
Remuneration for ward committees	730,718	1,207,522
Conferences and seminars	1,632,141	1,350,047
	27,054,141	**21,878,599**

42. Loss on disposal of assets

Property plant and equipment	247,048	2,031,867

Assets which were obsolete or nearing the end of their useful lives were disposed in the current year. These assets had a carrying value of R1 988 828 and resulting to a profit on disposal of R2 031 867 in the current year.

43. Auditors' remuneration

Auditor General Fees	2,335,554	1,874,638

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

44. Cash generated from operations

Surplus	3,610,642	24,907,885
Adjustments for:		
Depreciation and amortisation	20,974,138	19,588,774
Finance costs - Finance leases	-	341
Impairment loss	5,871,892	-
Debt write off	32,695	3,698,527
Lease payments	-	(85,819)
Movements in retirement benefit assets and liabilities	(497,757)	102,852
Movement in Conditional grants	(1,626,582)	2,630,415
Other acruals	(1,345,924)	-
Other non-cash movements	393,907	(10,623)
Inventory consumed	3,636,536	-
Bonus accrual	576,581	-
Leave acrual	130,550	-
Changes in working capital:		
Inventories	(73,673)	(1,491,695)
Receivables from exchange transactions	763,623	(14,821)
Consumer deposits	5,545	(21,156)
Other receivables from non-exchange transactions	(282,987)	(5,004,312)
Payables from exchange transactions	5,036,595	3,353,524
VAT	(1,094,508)	6,707,433
Movement in provisions	(547,731)	(871,806)
Movement in finance leases	5,320,711	-
	40,884,253	**53,489,519**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

45. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	53,102,109	25,579,049
• Investment property	4,666,609	3,089,759
	57,768,718	**28,668,808**

Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	36,519,290	-

Total capital commitments		
Already contracted for but not provided for	57,768,718	28,668,808
Not yet contracted for and authorised by accounting officer	36,519,290	35,109,838
	94,288,008	**63,778,646**

Authorised operational expenditure

Already contracted for but not provided for		
• Approved and contracted for	6,359,069	13,167,170

Total operational commitments		
Already contracted for but not provided for	6,359,069	13,167,170

Total commitments

Total commitments		
Authorised capital expenditure	94,288,008	63,778,646
Authorised operational expenditure	6,359,069	13,167,170
	100,647,077	**76,945,816**

This committed expenditure relates to property as well as operational expenditure and will be financed by available bank facilities, government grants, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	115,080	115,080
- in second to fifth year inclusive	-	115,080
	115,080	**230,160**

Operating lease payments represent rentals payable by the municipality for photocopiers. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

46. Contingencies

The municipality has the following litigations matters of which at this stage the municipality has a fair likelihood of being successful or the odds appear to be even:

a) Overdrive Investments, Al-Haraiman Trust and Ngeli Mills are disputing the amounts charged for property rates.

b) Department of Labour is suing the municipality for not submitting some of the returns in relation to employment equity.

c) Molboro Properties is in dispute with the municipality for demolishing the improper structure that was not approved.

d) Advocate Mayor is in dispute with the municipality for senior management post.

e) Conrad Bishop and SD Houston, in dispute over contravention of land use management.

f) Ingeli Forest is suing the municipality for increasing a rating on a property.

g) Municipal Councillors Pension Fund, the matter is about the withdrawal of councillor D. Nciki from the pension fund.

Outstanding cases		
Overdrive Investments	128,749	128,749
Al-HaraimainTrust	1,376,479	1,376,479
Ngeli Mills	347,279	347,279
Department of Labour	-	1,575,000
Bongumusa Mbanjwa	780,000	780,000
Advocate Mayor Thabo	-	250,000
Molboro Properties	-	60,000
Conrad Bishop and SD Houston	150,000	150,000
Ingeli Forests	99,170	43,830
Municipal Councillors Pension Fund	-	508,583
Nelson Mandela Bay Business Chambers	59,342	-
	2,941,019	**5,219,920**

Figures in Rand	2022	2021

47. Related parties

Related party transactions

Councillors		
Remuneration of Councillors	8,196,463	8,653,160

Councillors exercise a significant influance over the municipality's financial and administrative capacity by being the municipality's executive and legislative authority. Further details of Remuneration of Councillors is set out in note 34 of the Annual Financial Statements.

No amounts are due to/from Councillors for the year ended 30 June 2022. Amount due from Councillors is R21 670 as at 30 June 2021.

Ugu South Coast Tourism		
Contributions made	242,559	396,693

Ugu South Coast Tourism is a fellow entity under Ugu District Municipality. Contributions made to Ugu South Coast Tourism are disclosed under note 30 of the Annual Financial Statements.

No outstanding balances due from/to the Ugu South Coast Tourism.

Senior Management		
Remuneration of Senior Management	4,799,978	5,741,077

Senior Management is responsible for managing municipality's operations. Remuneration of Senior Management is disclosed under note 33 of the Annual Financial Statements.

The Chief Fanancial Officer resigned on 31 August 2022.

No outstanding balances due from/to the Senior Management.

48. Prior-year adjustments

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

Statement of financial position

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Property pant and equipment	10	385,347,538	17,677,700	-	403,025,238
Provisions - current portion	17	(2,122,239)	-	2,122,239	-
Provisions - non current portion	17	(3,767,539)	(17,633,117)	(1,621,641)	(23,022,297)
Employee benefit obligation	15	(10,202,020)	-	(128,307)	(10,330,327)
Accumulated surplus		(465,993,892)	153,956	-	(465,839,936)
		(96,738,152)	**198,539**	**372,291**	**(96,167,322)**

Statement of financial performance

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

48. Prior-year adjustments (continued)

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Other income - Tender Documents	27	(104,375)	-	104,375	-
Other income - Other	27	-	-	(104,375)	(104,375)
Employee related costs	33	76,823,413	-	(1,409,293)	75,414,120
Finance costs	37	433,250	(372,291)	797,000	857,959
Actuarial gains/losses	15	-	-	612,293	612,293
Surplus for the year		**77,152,288**	**(372,291)**	**-**	**76,779,997**

Errors

The following prior period errors adjustments occurred:

Error 1

Propoerty plant and equipment corrected to align to the fixed assets register .

Correction of landfil site provision and property, plant and equipment which was previously incorrectly accounted for.

Error 2

Reclassification of amounts between employee benefists and provisions.

Error 3

Reclassification of interest costs for employee benefits to finance costs.

Error 4

Reclassification of actuarial gains or losses from employee costs.

Error 5

Reclassification of sale of tender documents to other income.

49. Risk management

Financial risk management

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

49. Risk management (continued)

Liquidity risk

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

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

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

Payables from exchange transactions	25,252,579	21,820,607
Consumer deposits	514,261	535,133
Unspent grants and receipts	675,963	2,302,545
	26,442,803	**24,658,285**

Credit risk

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

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

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

Cash and cash equivalents	125,442,144	133,418,215
Receivables from exchange transactions	6,541,442	7,305,065
Receivables from non-exchange transactions	12,081,097	16,271,557
	144,064,683	**156,994,837**

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Cash and cash equivalents	125,442,144	133,418,215

50. Going concern

The Municipality is technically solvent as its total assets exceed its total liabilities, liquidity is not a challenge as it has enough investments, cash and other assets to repay it short term obligations.

Further, the Municipality's management and the leadership remains committed to good budgeting and financial management, and for this purpose will continue to monitor the implementation of budgets, including expenditure, revenue collection and borrowing. The effective functioning of the budget processes will contribute significantly to developing and sustaining financial health in the Municipality.

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

51. Events after the reporting date

Management did not identify any events after reporting periods in their assessment.

52. Unauthorised expenditure

Opening balance as previously reported	9,000	9,000

53. Fruitless and wasteful expenditure

Opening balance as previously reported	135,000	135,000
Opening balance as restated	**135,000**	**135,000**
Add: Expenditure identified - current	104,425	87,847
Less: Amount written off - current	-	(87,847)
Closing balance	**239,425**	**135,000**

All the fruitless and wasteful expenditure incurred during the year in the table below is as a result of interest charged on late payments.

Fruitless and wasteful expenditure is not yet recoverable at year end and is currently being investigated by the Council which will determine recoverability and any criminal or disciplinary steps to be taken.

Disclosed amounts are inclusive of VAT.

Details of fruitless and wasteful expenditure		
SARS	98,335	-
MWRF Pension	713	-
CRF Pension	84	-
Eskom	3,678	3,427
Telkom	844	4,370
City of choice	-	5,545
Adventure travel	-	72,954
Ugu	771	1,551
	104,425	**87,847**

54. Irregular expenditure

Opening balance as previously reported	-	1,057,801
Opening balance as restated	**-**	**1,057,801**
Add: Irregular Expenditure - current	13,250,831	26,391,122
Less: Amount written off - current	-	(26,391,102)
Less: Amount written off - prior period	-	(1,057,821)
Closing balance	**13,250,831**	**-**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

54. Service concession liabilities (continued)

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

	Disciplinary steps taken/criminal proceedings		
Expenditure on expired contracts	None	-	165,040
Non-compliance with SCM Regulation 29 - prior year contracts	None	-	26,226,082
Composition of bid adjudication excluded SCM practitioner	None	13,250,831	-
		13,250,831	**26,391,122**

Irregular expenditure written off by Council has not yet been condoned by National Treasury. The municipality is still awaiting this by National Treasury.

Disclosed amounts are inclusive of VAT.

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,920,946	821,476
Amount paid - current year	(1,920,946)	(821,476)
	-	-

Audit fees

Current year subscription / fee	2,335,554	1,874,638
Amount paid - current year	(2,335,554)	(1,874,638)
	-	-

Figures in Rand	2022	2021

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

PAYE and UIF

Current year subscription / fee	8,174,754	6,120,695
Amount paid - current year	(8,174,754)	(6,120,695)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	12,391,724	11,157,857
Amount paid - current year	(12,391,724)	(11,157,857)
	-	-

VAT

VAT receivable	54,704,986	65,615,673
VAT payable	(51,135,953)	(63,141,148)
	3,569,033	**2,474,525**

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

Councillors' arrear consumer accounts

There were no arrea accounts for Councillors which were outstanding for more than 90 days as at **30 June 2022**.

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor N Dzingwa	541	4,503	5,044
Councillor C Machi	1,376	9,091	10,467
Councillor S Ncwane	118	6,041	6,159
	2,035	**19,635**	**21,670**

Supply chain management regulations

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

Incident		
In emergency	-	335,024
Sole service provider	-	141,300
Impractical or impossible to follow the official procurement processes	364,900	824,626
	364,900	**1,300,950**

Notes to the Annual Financial Statements

56. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas: Governance and administration, Community and public safety, Economic planning and development and Trading services. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The municipality is organised and operates in three key reportable functions throughout the nine wards under uMuziwabantu demarcations. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout uMuziwabantu were sufficiently similar to warrant aggregation.

Community and public safety: Sports and recreation, Parks and gardens, Human settlements, Disaster management, Library services and Community services.

Economic planning and development: Local Development and Technical departments.

Trading services: Waste management and Electricity sales.

Afforestation: Forestry.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Community and public safety	Social services delivery
Economic planning and development	Economic development services delivery
Trading services	Energy, waste and forestry services

Notes to the Annual Financial Statements

Figures in Rand

56. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Community and public safety	Economic planning and development	Trading services	Afforestation	Total
Revenue					
Revenue from non-exchange transactions	47,159,580	77,889,852	38,205,800	-	163,255,232
Revenue from exchange transactions	3,012,105	2,859,768	47,795,136	13,056,680	66,723,689
Total segment revenue	**50,171,685**	**80,749,620**	**86,000,936**	**13,056,680**	**229,978,921**
Entity's revenue					**229,978,921**
Expenditure					
Employee Related Cost	20,003,689	39,414,431	15,954,178	-	75,372,298
Depreciation and amortisation	-	-	20,661,217	185,966	20,847,183
Contracted Services	15,544,193	10,927,692	1,989,754	-	28,461,639
Total segment expenditure	**35,547,882**	**50,342,123**	**38,605,149**	**185,966**	**124,681,120**
Total segmental surplus/(deficit)					**105,297,801**
Inventory consumed					3,333,234
Operating lease					140,960
Transfers and subsidies					4,034,976
Other expenses					100,985,629
Entity's surplus (deficit) for the period					**4,312,172**
Assets					
Current assets	-	-	146,930,469	2,382,829	149,313,298
Non-current assets	109,110,544	104,276,954	213,415,168	41,697,472	468,500,138
Total segment assets	**109,110,544**	**104,276,954**	**360,345,637**	**44,080,301**	**617,813,436**
Total assets as per Statement of financial Position					**617,813,436**

56. Segment information (continued)

	Community and public safety	Economic planning and development	Trading services	Afforestation	Total
Liabilities					
Current laibilities	-	-	33,749,804	605,527	34,355,331
Non-current liabilities	-	-	33,188,809	-	33,188,809
Total segment liabilities	**-**	**-**	**66,938,613**	**605,527**	**67,544,140**
Total liabilities as per Statement of financial Position					**67,544,140**

Due to limitations in the financial reporting system it was impractical to prepare the abridged Segmental Cash Flow Statement.

2021

	Community and public safety	Economic planning and development	Trading services	Afforestation	Total
Revenue					
Revenue from non-exchange transactions	91,284,213	55,591,827	83,952,321	-	230,828,361
Revenue from exchange transactions	94,053	6,199,973	40,277,428	2,794,939	49,366,393
Interest revenue	-	-	7,446,571	-	7,446,571
Total segment revenue	**91,378,266**	**61,791,800**	**131,676,320**	**2,794,939**	**287,641,325**
Entity's revenue					**287,641,325**
Expenditure					
Salaries and wages	26,493,603	29,698,576	9,127,342	1,423,708	66,743,229
Depreciation and amortisation	-	-	9,400,643	-	9,400,643
Interest expense	-	-	51,126	-	51,126
Other expenses	11,977,515	14,187,994	47,494,323	41,556,820	115,216,652
Total segment expenditure	**38,471,118**	**43,886,570**	**66,073,434**	**42,980,528**	**191,411,650**
Total segmental surplus/(deficit)					**96,229,675**

Notes to the Annual Financial Statements

Figures in Rand

56. Segment information (continued)

Bad debts written-off					3,698,527
Contracted services					4,449,474
Interest expense					341
Employee related costs					18,119,197
Inventory consumed					327,542
Operating lease					439,554
Operational costs					10,382,228
Transfers and subsidies					(13,654)
Debt impairment					(999,182)
Entity's surplus (deficit) for the period					**36,404,027**
Assets					
Current assets	81,180,685	50,171,405	24,536,269	-	155,888,359
Non-current assets	86,572,229	258,536,846	53,780,391	258,690,544	657,580,010
Total segment assets	**167,752,914**	**308,708,251**	**78,316,660**	**258,690,544**	**813,468,369**
Total assets as per Statement of financial Position					**813,468,369**
Liabilities					
Current liabilities	13,341,208	8,245,153	4,263,836	231,814	26,082,011
Non-current liabilities	2,444,632	7,300,580	1,518,654	-	11,263,866
Total segment liabilities	**15,785,840**	**15,545,733**	**5,782,490**	**231,814**	**37,345,877**
Total liabilities as per Statement of financial Position					**37,345,877**

Due to limitations in the financial reporting system it was impractical to prepare the abridged Segmental Cash Flow Statement.

Notes to the Annual Financial Statements

57. Budget differences

Material differences between budget and actual amounts

Items with excess of actual expenditure and revenue over the final budget of 10% . There were no other material differences between the final budget and the actual amounts.

Revenue

Revenue from exchange transactions

57.1 Afforestation sales were not included in the municipal budget.

57.2 Lower than anticipated sale of electricity.

57.3 More collections due to filling of vacant municipal rented properties.

57.4 Agency fees variance is insignificant.

57.5 Licenses and permits are be below budgeted figures due to the fact that activities relating to licenses and permits were lower than anticipated.

57.6 Other revenue was lower that expected due to other income that was anticipated and never materialised..

57.7 Lower than budgeted interest on investments was due to the decrease in monies invested due to payment of capital commitments which were funded by investments.

Revenue from non-exchange transaction:

57.8 Property rates as well as the related penalties imposed was lower than budget due higher than expected indigents.

57.9 Government grants and subsidies shows a favourable position because of the housing Grant.

57.10 Fines, penalties and forfeits shows a favourable balance, the municipality anticipated to receive less income from this revenue stream since it is difficult to estimate accurately.

Expenditure

57.11 Employee related costs were lower due to certain positions which were note filled during the financial year

57.12 Remuneration of councillors less since increments have not yet been approved.

57.13 Depreciation and amortisation variance not material.

57.14 Impairment loss was higher than expected to due lower collections from consumers that anticipated.

57.15 Finance costs were lower due to lower that expected interest rates.

57.16 Lease rentals on operating lease was higher than budget due to new lease agreements entered into than was initially expected.

57.17 Afforestation General Expenses and cost of sales was not budgeted for.

57.18 Bulk purchases variance not material.

57.19 Contracted services were lower due to a decrease in the repairs and maintenance costs.

57.20 Transfers and subsidies underbudgeted due to delays in receiving the budget indication from Ugu District municipality.

57.21 Inventory consumed was lower due to lower manteinance materials for repairs and manteinence.

Notes to the Annual Financial Statements

57. Budget differences (continued)

57.22 General Expenses was higher than budget to afforestation costs which were not included in the budget as well as higher than expected advertising and IT costs.

57.23 Debt write-off, actuarial gains or losses, gains or losses on disposal of assets and impairment losses were not budgeted for.

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

Paragraph 45 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003); Municipal Supply Chain Management Regulations states that particulars of any award more than R2 000 made to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve (12) months must be disclosed as a note in the Annual Financial Statements.

The details are listed below for the year ended **30 June 2022**:

Name : Siyakwethemba Contractors
Relation : Husband to the spouse who is in the service of the state/municipality
Capacity : Manager Expenditure
Total value : R 3 929 965.00

Name : Mangubade Trading Enterprise
Relation : Wife to the spouse who is in the service of the state/municipality
Capacity : General Assistant Electricity
Amount : R 102 450.00

Name : Mnyingwa Trading Enterprise
Relation : Wife to the spouse who is in the service of the state/municipality
Capacity : General Assistant Electricity
Amount : R 106 049.00

The details are listed below for the year ended **30 June 2021**:

Name : Siyakwethemba Contractors

Relation : Husband to the spouse who is in the service of the state/municipality

Capacity : Manager Expenditure

Total value : R827 739

Name : Mangubade Trading Enterprise

Relation : Wife to the spouse who is in the service of the state/municipality

Capacity : General Assistant Electricity

Amount : R 63 040.00

Name : Mnyingwa Trading Enterprise

Relation : Wife to the spouse who is in the service of the state/municipality

Capacity : General Assistant Electricity

Amount : R 44 650.00

Notes to the Annual Financial Statements

59. Accounting by principals and agents

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

Details of the arrangment are as follows:Details of the arrangment are as follows:

Principal-agent arrangements relate to binding arrangements in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal). The following arrangement meets the criterion for such arrangements:

Entity as agent

Implementation of the Integrated National Electrification GrantImplementation of the Integrated National Electrification Grant

The municipality receives a conditional grant as part of the Division of Revenue Act allocations. The purpose of this grant is to roll out an electrification programme to communities within the municipal area. Part of the conditions of the grant is to spend it in areas or projects specified within the approved memorandum of agreement entered into between the municipality and the department of mineral and energy.

According to the list of beneficiary areas listed in the MOA for the current and previous reporting periods, they fall outside the areas currently supplied by the municipality in line with the license. The entity is an agent in this agreement as defined by the accounting standard for principals and agents. These areas are supplied directly by Eskom and thus the municipality does not have the ability to use all or substantially all of the resources that results from the electrification of those areas. Eskom will be the recipient of the revenue from the electricity sales.

KwaZulu Natal Department of TransportKwaZulu Natal Department of Transport

The agreement requires the municipality to perform all the testing functions on behalf of the department which consist of Driving licence test centre functions.The municipality is an Agent to the agreement as they are responsible for perfoming testing functions on behalf of the Department. Thus a principal agent arrangement exist.The municipality is the agent in terms of GRAP 109.

Financial implicationFinancial implication

An amount of R7 500 000 (2021 :R5 000 000) was transferred to the Municipality for Integrated National Electrification Programme during the year. The total amount unspent at year-end is R 421,651 and R0 (2021)

There are no funds receivable or payable to the department as at the end of the year. However the municipality pay out an amount to R79 to the department for the production of drivers licence card.