

**uMSHWATHI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2022**

		ACTUAL	
REVENUE	Note	2022 R	2021 Restated R
Revenue from Non-Exchange Transactions			
Property rates	15	49,589,759	45,648,893
Traffic Fines		13,652	3,835
Income for agency services	16	2,964,642	2,631,077
Interest earned - outstanding debtors	17	9,425,966	7,553,306
Government grants and subsidies		119,354,000	134,967,218
Capital Funding	18	33,977,000	27,091,000
		215,325,018	217,895,329
Revenue from Exchange Transactions			
Service charges	19	2,662,865	2,838,784
Rental of facilities and equipment	20	533,924	589,856
Interest earned - external investments		2,685,487	1,883,418
Interest earned - outstanding debtors	17	1,343,695	1,051,519
Other income	21	252,777	252,550
		7,478,747	6,616,127
Total Revenue		222,803,766	224,511,455
EXPENDITURE			
Employee related costs	22	82,706,885	75,243,722
Remuneration of Councillors	23	11,105,322	10,216,804
Depreciation	24	20,587,706	22,333,473
Impairment loss		608,051	-
Interest Written off		-	2,047,527
Operating Lease	25	228,048	213,637
Contracted services	26	39,891,198	37,090,126
General expenses	27	29,254,704	22,854,311
Contribution to Provisions- Debt impairment	28.7	5,626,449	85,090,800
Total Expenditure		190,008,363	255,090,400
Gains / (Losses)	37	(1,103,227)	-
Surplus/(Deficit) for the year		31,692,176	(30,578,945)

uMSHWATHI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

	Note	2022 R	2021 Restated R
ASSETS			
Current assets		153,018,939	122,650,646
Trade and Other Receivables: Non-Exchange Transactions	10.1	16,087,387	10,707,699
Trade and Other Receivables: Exchange Transactions	10.2	13,493,772	7,424,097
Other Debtors: Exchange	11.1	3,164,097	3,061,082
Other Debtors: Non-Exchange	11.2	1,381,328	1,201,406
Value Added Tax Receivable	6	7,590,620	14,963,549
Investments	14	98,269,004	67,095,562
Cash and Cash Equivalents		1,264,544	6,429,064
Inventory: Land held for sale	13	11,768,186	11,768,186
Non - current assets		327,730,589	306,964,489
Property , Plant and equipment	7	314,745,278	294,449,252
Investment Property	8	9,746,211	10,199,148
Intangible Assets	9	164,850	289,588
Non-current portion of Acknowledgement of Debt Debtors	12	3,074,250	2,026,502
Total Assets		480,749,528	429,615,135
Non - current liabilities		3,031,794	2,850,626
Non-current portion of Long Service Award Liability	3	3,031,794	2,850,626
Current liabilities		36,299,473	16,987,917
Trade and Other Payables	2	17,562,826	11,245,936
Leave Payable	4	5,786,288	5,165,580
Unspent conditional grants and receipts	5	12,500,000	-
Current portion of Long Service Award Liability	3	450,358	576,401
Total Liabilities		39,331,267	19,838,543
Net Assets		441,418,261	409,776,593
NET ASSETS			
Net assets		441,418,262	409,776,591
Accumulated surplus		441,418,262	409,776,591
		441,418,262	409,776,591

uMSHWATHI LOCAL MUNICIPALITY

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

	Note	Accumulated Surplus
		R
Balance as per 30 June 2020		378,922,689
Prior Year Adjustments	30	61,432,847
Surplus - (deficit) for the year		(30,578,945)
Closing balance as at 30 June 2021		409,776,591
Prior Year Adjustments		(50,502)
Opening balance as at 01 July 2021		409,726,089
Surplus for the year		31,692,176
Balance as at 30 June 2022		<u><u>441,418,262</u></u>

uMSHWATHI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 R	2021 Restated R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Sales of Goods and Services		48,927,049	122,177,163
Grants		131,854,000	134,967,218
Interest Received		2,685,487	1,883,418
Other Receipts		33,977,000	27,091,000
		217,443,536	286,118,799
Payments			
Employee Costs	22/23	(93,317,542)	(82,600,190)
Suppliers		(56,768,339)	(142,219,170)
Interest Paid		-	-
		(150,085,881)	(224,819,360)
NET CASH INFLOW FROM OPERATING ACTIVITIES	34	67,357,655	61,299,439
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(41,348,733)	(29,120,101)
Proceeds from disposal of Assets		-	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(41,348,733)	(29,120,101)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of external loans		-	-
Increase in Investments		(31,173,442)	(27,217,426)
NET CASH FROM FINANCING ACTIVITIES		(31,173,442)	(27,217,426)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(5,164,520)	4,961,911
Cash and cash equivalents at the beginning of the year		6,429,064	1,467,154
Cash and cash equivalents at the end of the year	14	1,264,544	6,429,064
		(5,164,520)	4,961,910

uMshwathi Local Municipality
Statement of Comparison of Budget and Actual Amounts
For the Year Ended 30 June 2022

Operational Budget for the period 01 July 2021 to 30 June 2022

The Budget is a zero based budget and is prepared on the accrual basis

	Original Budget	Adjustments (S 28)	Final Budget	Actual	Variance	Comments
Revenue from Non-Exchange Transactions						
Property Rates	46,852,000	1,400,000	48,252,000	49,589,759	1,337,759	The increase in net rates is due to budget rebates not being claimed
Traffic Fines	20,000	-	20,000	13,652	-6,348	The culture of non-payment of traffic fines and cancellations of by the Court
Income for agency services	2,550,000	-	2,550,000	2,964,642	414,642	After the relaxation of the lockdown regulations there was an increase in renewal of vehicle and drivers licences, service of individuals from outside of uMshwathi
Grants: Operational	127,954,000	-	127,954,000	119,354,000	-8,600,000	
	177,376,000	1,400,000	178,776,000	171,922,053	-6,853,947	
Revenue from Exchange Transactions						
Service Charges	2,830,000	-	2,830,000	2,662,865	-167,135	This is probably as a result of consolidation of properties, closing of businesses due to looting
Rental of facilities and equipment	675,000	(103,000)	572,000	533,924	-38,076	Decrease in rental due to covid regulations.
Interest earned - external investments	2,140,000	-	2,140,000	2,685,487	545,487	Due to increase in interest rates and investments being held for a longer period
Interest earned - outstanding debtors	5,000,000	2,500,000	7,500,000	10,769,660	3,269,660	Culture of not prioritising municipal accounts, increase in unemployment
Other income	206,000	(17,000)	189,000	252,777	63,777	Covid 19 impacted hall hire bookings, less social gatherings
	10,851,000	2,380,000	13,231,000	16,904,713	3,676,413	
Total Operating Revenue	188,227,000	3,780,000	192,007,000	188,826,766		
Operating Expenditure						
Employee Costs	80,558,000	2,440,000	82,998,000	82,706,885	(291,115)	Increase due to implementation of Job evaluation objection outcome
Councillor Allowances	11,208,000	(650,000)	10,558,000	11,105,322	547,322	Increase budgeted for not approved by the Minister
Impairment loss	-	-	-	608,051	608,051	Budgeted for under other expenditure
Depreciation	16,600,000	-	16,600,000	20,587,706	3,987,706	
Operating Lease	-	-	-	228,048	228,048	Budgeted for under contracted services
Contracted Services	47,337,000	100,000	47,437,000	39,891,198	(7,545,802)	Certain expenditure that was budgeted for were not incurred due delays in planning and SCM processes
Other Expenditure	30,524,000	1,727,000	32,251,000	29,254,704	(2,996,296)	Certain expenditure that was budgeted for were not incurred due delays in planning and SCM processes
Contribution to Provisions- Debt impairment	1,000,000	-	1,000,000	5,626,449	4,626,449	
Operational Expenditure	187,227,000	3,617,000	190,844,000	190,008,363	-835,637	
Operating Surplus before Capital Expenditure	1,000,000	163,000	1,163,000	-1,181,597	-2,344,597	
Capital Transfer Recognised	28,977,000	7,500,000	36,477,000	33,977,000	-2,500,000	
Surplus for the year After Capital Expenditure	29,977,000	7,663,000	37,640,000	32,795,403	-4,844,597	

Cash Flow Statement	Original Budget	Adjustments (\$)	Final Budget	Actual	Variance	Comments
Cash flows from operating activities						
Receipts						
Sales of Goods and Services	44,713,000	1,260,000	45,973,000	48,927,049	(2,954,049)	
Transfers and Subsidies - Capital	167,832,000	27,218,000	195,050,000	131,854,000	63,196,000	
Interest Received	-	-	-	2,685,487	(2,685,487)	
Other revenue	3,451,000	(120,000)	3,331,000	-		
Transfers and Subsidies - Capital	28,977,000	7,500,000	36,477,000	33,977,000	2,500,000	
	244,973,000		280,831,000	217,443,536		
Payments						
Employee Costs	(93,317,542)	-	(93,317,542)	(93,317,542)	-	
Suppliers	(73,635,458)	(30,499,000)	(104,134,458)	(56,768,339)	(47,366,119)	
	(166,953,000)		(197,452,000)	(150,085,881)		
Net cash flows from operating activities	78,020,000	-	83,379,000	67,357,655	16,021,345	
Cash flows from investing activities						
Purchase of property, plant and equipment	(29,977,000)	-	(29,977,000)	(41,348,733)	11,371,733	
Proceeds from disposal of Assets	-	-	-	-	-	
Net cash flows from investing activities	(29,977,000)	-	(29,977,000)	(41,348,733)	11,371,733	
Cash flows from financing activities						
Repayment of external loans	-	-	-	-	-	
Increase in Investments	-	-	-	(31,173,442)	31,173,442	
Net cash from financing activities	-	-	-	(31,173,442)		
Net (decrease) increase in cash and cash equivalents	48,043,000		53,402,000	(5,164,520)		
Cash and cash equivalents at the beginning of the year	41,345,000	32,180,000	73,525,000	6,429,064	67,095,936	
Cash and cash equivalents at the end of the year	89,388,000	-	126,927,000	1,264,544		

Statement of Financial Position	Original Budget	Adjustments (\$)	Final Budget	Actual	Variance	Comments
Assets						
Current assets						
Trade and Other Receivables: Non-Exchange Transaction	97,457,499	15,108,323.00	82,349,176	16,087,387	66,261,789	
Trade and Other Receivables: Exchange Transactions	-	-	-	13,493,772	(13,493,772)	
Other Debtors: Exchange	13,829,889	-	13,829,889	3,164,097	10,665,792	
Other Debtors: Non-Exchange	-	-	-	1,381,328	(1,381,328)	
Value Added Tax Receivable	-	-	-	7,590,620	(7,590,620)	
Investments	39,878,136	-	39,878,136	98,269,004	(58,390,868)	
Cash and Cash Equivalents	13,598,549	-	13,598,549	1,264,544	12,334,005	
Inventory: Land held for sale	-	-	-	11,768,186	(11,768,186)	
	164,764,073		149,655,750	153,018,939		
Non - current assets						
Property , Plant and equipment	243,548,876	9,424,000	252,972,876	314,745,278	(61,772,402)	
Investment Property	10,669,726	-	10,669,726	9,746,211	923,515	
Intangible Assets	736,476	(496,000)	240,476	164,850	75,626	
Non-current portion of Acknowledgement of Debt Debtors	0	-	-	3,074,250	(3,074,250)	
	254,955,078		263,883,078	327,730,589		
Total Assets	419,719,151	-	413,538,828	480,749,528		
Liabilities						
Current liabilities						
Trade and Other Payables	5,339,111	13,983,000	19,322,111	17,562,826	1,759,285	
Leave Payable	-	-	-	5,786,288	5,786,288	
Unspent conditional grants and receipts	-	-	-	12,500,000	12,500,000	
Current portion of Long Service Award Liability	-	-	-	450,358	450,358	
	5,339,111		19,322,111	36,299,473		
Non - current liabilities						
Non-current portion of Long Service Award Liability	6,702,621	-	6,702,621	3,031,794	3,670,827	
	6,702,621		6,702,621	3,031,794		
Total Liabilities	12,041,732		26,024,732	39,331,267		
Net Assets						
Accumulated surplus	407,677,419	-	407,677,419	441,418,262	(33,740,843)	
Total Net Assets	407,677,419	-	407,677,419	441,418,262		

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 Restated R
1 SEGMENT REPORTING		
<p>For management purposes, the municipality is organised and operates in four functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions and resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.</p> <p>The four functional segments comprise of:</p> <p>Governance and administration</p> <p>Community and public safety which includes community and social services, sport and recreation, public safety, economic and services</p> <p>Environmental services which includes planning and development, road transport and environmental protection services;</p> <p>Trading services which includes waste management services;</p> <p>The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).</p> <p>Management does monitor the performance of each segment but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.</p>		
Financial report per Segment		
Governance and Administration		
Revenue	182,901,833	192,872,717
Expenditure	(113,173,608)	(132,903,076)
Surplus	<u>69,728,225</u>	<u>59,969,641</u>
Community and Public Safety		
Revenue	5,894,426	1,545,899
Expenditure	(40,321,233)	(5,182,555)
Surplus	<u>(34,426,807)</u>	<u>(3,636,656)</u>
Environmental/Road Transport		
Revenue	42,607,506	27,254,056
Expenditure	(44,621,773)	(30,253,412)
Deficit	<u>(2,014,267)</u>	<u>(2,999,356)</u>
Waste Management Service		
Revenue from Exchange Transactions		2,838,784
Segment Expenditure	(9,289,025)	(2,243,848)
Surplus	<u>(9,289,025)</u>	<u>594,936</u>
Total	<u>23,998,126</u>	<u>53,928,564</u>
2 TRADE AND OTHER PAYABLES		
Trade creditors	10,917,044	2,438,991
Retentions Held	4,073,107	1,530,899
Housing	-	5,223,621
Unallocated Receipts	(35,955)	743,459
Debtors with Credit Balances	1,982,032	1,308,966
Insurance Refunds	626,599	
	<u>17,562,826</u>	<u>11,245,936</u>
3 PROVISION FOR LONG SERVICE AWARD		
Non Current Liability for Long Service Award	3,031,794	2,850,626
Current Liability for Long Service Award	450,358	576,401
	<u>3,482,152</u>	<u>3,427,027</u>
<p>An actuarial valuation was done for the provision for Long Service Awards to Current employees as at 30 June 2022 in terms of GRAP 25 and a liability raised accordingly. Due to the uncertainty of who will be entitled to the award an actuarial valuation was done on all employees based on their date of appointment together with the policy on the qualifying of the Long Service Award.</p> <p>The approach taken in this valuation has been made with reference to the guidelines issued by the Actuarial Society of South Africa (ASSA), in particular, the Advisory Practice Note 207 as issued by ASSA.</p>		
Changes in the Present Value of the defined benefit obligation is as follows:		
Opening Balance	3,427,027	3,200,892
Expense recognised in Statement of Financial Performance	55,125	226,135
Closing Balance	<u>3,482,152</u>	<u>3,427,027</u>

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	Restated R
Expense recognised in Statement of Financial Performance		
Current Service Cost	352,241	316,318
Interest Cost	279,285	(357,269)
Actuarial Loss	(576,401)	267,086
	55,125	226,135
Key Assumptions Used		
Discount Rate	8%	8%
Inflation Rate	3%	3%
Salary Increase Rate	4%	4%
Mortality Rate		
Average Retirement Age	63 years	
Pre-retirement Mortality	SA 85/90 with 1 year downward age rating for females	

4 Leave Payable

Opening Balance	5,165,580	3,827,815
Leave Paid	(1,791,723)	(1,231,912)
Unutilised Leave	3,373,857	2,595,903
Current Contribution	2,412,431	2,569,677
Closing Balance	5,786,288	5,165,580

Provision for leave relates the number of days accumulated by employees during the reporting period. The provision is calculated on the leave balance due on 30 June 2022. This is the amount the employee will be entitled to should the employee cease employment on 30 June 2022. The municipality is not aware of the time when the leave will be paid out since this is dependent on the time when the employee ceases to be an employee

5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

5.1 Conditional grants from other spheres of government

Total conditional grants and receipts

12,500,000 -

MIG

Opening Balance	-	-
Received During the year	33,977,000	27,091,000
Expended During the year	(33,977,000)	(27,091,000)
Closing Balance	-	-

FMG

Opening Balance	-	-
Received During the year	1,920,000	1,900,000
Expended During the year	(1,920,000)	(1,900,000)
Closing Balance	-	-

Public Works: EPWP

Opening Balance	-	-
Received During the year	1,376,000	1,192,999
Expended During the year	(1,376,000)	(1,192,999)
Closing Balance	-	-

DoE Funding: INEP Grant

Opening Balance	-	-
Received During the year	8,600,000	7,997,000
Expended During the year	(8,600,000)	(7,997,000)
Closing Balance	-	-

The INEP grant received is for projects carried out on behalf of the Department of Energy. The municipality does not have a license for distribution of electricity thus the projects are carried out on an agency basis. The grant received is not recognised as income and the expenditure incurred is set off against the grant received.

Provincial Grant: Department of Arts and Culture

Opening Balance	-	-
Received During the year	3,048,000	2,940,000
Expended During the year	(3,048,000)	(2,940,000)
Closing Balance	-	-

Disaster Relief Grant

Opening Balance	-	419,218
Received During the year	-	-
Expended During the year	-	(419,218)
Closing Balance	-	-

Cogta: Thusong Centre and LED (2022/23)

Opening Balance	-	-
Received During the year	12,500,000	-
Expended During the year	-	-
Closing Balance	12,500,000	-

6 VAT Receivable

VAT refundable	7,590,620	14,963,549
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VAT is payable on the receipts/payment basis. Refer to Note 28.2 for breakdown of VAT receivable

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

		2022	2021			
		R	Restated R			
STATUTORY RECEIVABLES						
GRAP 108 requires receivable to be split between Statutory and Contractual receivables. In the case of uMshwathi Municipality receivables arising from levying rate properties and issuing of traffic fines will result in Statutory Receivables. Currently these receivables are included in Consumer debtors and other debtors respective						
The transitional relief of implementation of GRAP 108 within 3 years has been voluntarily adopted for the current year while the municipality is splitting its receivable The municipality plans to be GRAP 108 compliant in the 2021/22 financial year.						
11 OTHER DEBTORS						
11.1 OTHER DEBTORS: EXCHANGE						
District Municipality	Exchange	404,245	404,245			
Thokazane housing & Department of Housing	Exchange	1,604,076	1,604,076			
Housing Debtors	Exchange	946,550	946,550			
Accrued Interest	Exchange	209,226	106,211			
		<u>3,164,097</u>	<u>3,061,082</u>			
11.2 OTHER DEBTORS: NON-EXCHANGE						
Debtors: Traffic Fines	Non - Exchange	38,937	24,035			
Balance Brought Forward		24,035	24,035			
Fines Issued		184,250	62,950			
Payments Received		(13,600)	(3,835)			
Impairment based on Historical payment rate		(155,748)	(59,115)			
Current portion of Acknowledge of Debt Debtors	Non - Exchange	688,526	523,506			
Overpayment	Non - Exchange	163,902	163,902			
Other	Non - Exchange	489,962	489,962			
		<u>1,381,328</u>	<u>1,201,406</u>			
Total other debtors		<u>4,545,425</u>	<u>4,262,488</u>			
12 NON CURRENT RECEIVABLES						
Acknowledgement of Debt over 12 months		<u>3,074,250</u>	<u>2,026,502</u>			
13 INVENTORIES						
Land held for distribution		<u>11,768,186</u>	<u>11,768,186</u>			
14 CASH AND CASH EQUIVALENTS						
Cash and cash equivalents consist of :						
Cash on Hand		2,700	2,700			
Short term investments		98,269,004	67,095,562			
Bank balances		1,261,844	6,426,364			
		<u>99,533,548</u>	<u>73,524,626</u>			
The municipality had the following bank accounts						
Account number / Description	Bank statement balances			Cashbook balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Standard Bank: Call Account 0536-1443-4-14	22,929	21,949	21,092	22,929	21,949	21,092
FNB Investment 1 62101572081	59,855,677	37,559,356	10,580,017	59,855,677	37,559,356	10,580,017
FNB Investment 2 62101572172	144,366	141,219	138,526	144,366	141,219	138,526
FNB Call Account 62101571710	31,774,582	23,130,369	23,089,749	31,774,582	23,130,369	23,089,749
FNB Call Account: Housing 62214429799	87,673	85,784	84,194	87,673	85,784	84,194
FNB Call Account 74491854045	925,339	891,511	862,039	925,339	891,511	862,039
ABSA Investment 1 20- 66260264	5,458,436	5,265,375	5,102,519	5,458,436	5,265,375	5,102,519
FNB - Primary Bank Account: 62025459232	1,261,844	6,426,364	1,380,704	1,261,844	6,426,364	1,380,704
Cash on hand	2,700	2,700	2,700	2,700	2,700	2,700
	<u>99,533,546</u>	<u>73,524,627</u>	<u>41,261,540</u>	<u>99,533,546</u>	<u>73,524,627</u>	<u>41,261,540</u>

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	Restated R
15 REVENUE FROM NON EXCHANGE TRANSACTIONS		
Property Rates		
Actual		
Agricultural	11,975,025	11,327,517
Residential	16,061,933	15,000,184
Commercial	8,884,006	8,829,693
State	12,668,795	10,491,499
Total assessment rates	<u>49,589,759</u>	<u>45,648,893</u>
Gross Rates	81,055,169	75,119,455
Rebates	(31,465,410)	(29,470,563)
Net Rates	<u>49,589,759</u>	<u>45,648,893</u>

Rates is raised on on market values of properties as per the valuation roll.at a rate randage approved in the budget. The general valuation roll is updated on a cycle 5 years. The last General Valuation Roll was last prepared in July 2017. The new roll will be prepared for implementation from 01 July 2022.

Rebates are given as approved by Council when approving the budget. The rebates approved for the 2021/22 were as follows:

Residential Properties	30%
Agricultural Properties	52%
Rural Residential	63%

Valuations as at 01 July 2017

Agricultural	4,619,555,000	4,619,555,000
Small Holding	250,743,000	250,743,000
Residential	1,300,983,000	1,300,983,000
Commercial/Industrial	446,894,000	446,894,000
Government	1,301,593,000	1,301,593,000
Public Benefit Organisations	107,528,000	107,528,000
Places of Worship	44,871,000	44,871,000
Other	239,355,000	239,355,000
Total property valuations	<u>8,311,522,000</u>	<u>8,311,522,000</u>

The valuation of Rural Residential and residential categories is disclosed as a consolidated value as Rural/Residential. The valuation of the commercial and industrial categories is consolidated and disclosed under Commercial/Industrial. Valuation of all Government categories is consolidated and disclosed under the category of Government

16 PRINCIPAL-AGENT ARRANGEMENT

Income from Motor Licensing

Incomes from Agency Services is made up of commission earned from administering the Motor Licensing section on behalf of Department of Transport on an agency basis. Only the commission received is recognised as income.

<u>2,964,642</u>	<u>2,631,077</u>
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The main cost related to this arrangement is the employee costs for the section.

Housing Projects

The municipality is acting as the Project Manager for housing projects being carried out by the Department of Housing in the municipal area. No income is received by the municipality in acting as the project manager.

INEP Grant received from Department of Energy

The municipality constructs electrical infrastructure with funding received from the Department of Energy. The infrastructure is built according to standards set by Eskom. Since the municipality is not an electricity licence holder the infrastructure, once complete, is handed over to Eskom. As a result the municipality is an agent this a arrangement. Expenditure incurred on the project is netted off against the grant received from the department. The allocation of R 8 600 000 for the current ye was fully expensed.

uMSHWATHI LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	Restated R
17 INTEREST ON OUTSTANDING DEBTORS		
Refuse removal	1,343,695	1,051,519
Interest earned - external investments	2,685,487	1,883,418
Interest earned - outstanding debtors	9,425,966	7,553,306
	13,455,147	10,488,243
18 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	113,010,000	128,935,218
Conditional Grants: Operating	6,344,000	6,032,000
	119,354,000	134,967,218
Conditional Grants: Capital	33,977,000	27,091,000
	153,331,000	162,058,218
FMG	1,920,000	1,900,000
Department of Public Works: EPWP	1,376,000	1,192,000
Department of Arts and Culture	3,048,000	2,940,000
Disaster Relief Grant	-	-
Operational Conditional Grants	6,344,000	6,032,000
MIG	33,977,000	27,091,000
Capital Conditional Grants	33,977,000	27,091,000
Total Conditional Grants	40,321,000	33,123,000
19 SERVICE CHARGES		
Refuse revenue	2,662,865	2,838,784
	2,662,865	2,838,784
20 RENTAL OF FACILITIES		
Rentals	533,924	589,856
	533,924	589,856
21 OTHER INCOME		
Fees: Photocopies	9,299	5,910
Fees: Rates Clearance	36,283	45,951
Interest: Current Account	23,879	6,953
Community Hall	10,387	17,541
Maintenance: Tender Fees and Building Plans	156,007	163,056
Cemetery	11,053	6,174
Library Fines	-	965
Taxi Rank Permits	5,869	6,000
	252,777	252,550

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	Restated R
22 EMPLOYEE RELATED COSTS		
Employee related costs - salaries and wages	58,128,217	51,455,463
Employee related costs - contributions to UIF,pension and medical costs	14,456,598	13,984,286
Travel,vehicle,accommodation,subsistence and other allowances	3,676,091	3,874,573
Housing benefits and allowances	647,736	623,003
Overtime payments	-	-
Standby Allowance	1,683,487	1,654,516
Bonus	4,088,715	3,625,459
Bargaining Council	26,041	26,421
Total employee related costs	82,706,885	75,243,722
Included in Employee Related costs:		
Remuneration of the Municipal Manager		
Remuneration	760,239	760,239
Car allowance and Other	613,520	506,826
	1,373,759	1,267,066
Remuneration of the Chief Financial Officer		
Annual remuneration	916,967	916,967
Car allowance	175,376	123,360
	1,092,343	1,040,327
Remuneration of other managers		
30-Jun-2022		
	Technical Services	Corporate Services
Annual remuneration	640,581	855,287
Car allowance and Other	484,546	312,382
	1,125,127	1,167,669
30-Jun-2021		Community Services
Annual remuneration	624,196	875,847
Car allowance and Other	416,131	185,040
	1,040,327	1,040,327
23 REMUNERATION OF COUNCILLORS		
Mayor	865,319	889,659
Deputy Mayor	825,869	717,489
Speaker	733,639	717,489
Executive committee members	1,054,429	1,166,977
Councillors	7,626,066	6,644,107
Skills Levy	-	81,083
	11,105,322	10,216,804
Being a full time councillors the Mayor and the Speaker have the use of an office and a council vehicle for official duties		
24 DEPRECIATION AND AMORTISATION		
Furniture and Office Equipment	1,231,358	3,789,439
Transport Assets	2,205,730	1,062,646
Community Assets	3,162,829	-
Computer Equipment	238,524	1,124,165
Machinery and Equipment	208,510	202,078
Roads Infrastructure	12,630,025	15,772,375
Other Assets	371,134	373,059
Intangible Assets	86,659	9,709
Investment Property	452,937	-
	20,587,706	22,333,473

uMSHWATHI LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	Restated R
25 OPERATING LEASES - RENTALS: COPIERS		
Operating Lease Expenditure	228,048	213,637
	228,048	213,637
<p>The municipality has recognised the lease on photocopiers as operating leases and recognised the payments of 213 637.10 The lease is effective from 01 September 2019.</p>		
Operating Lease Commitments:		100,952
- within 1 year		33,651
- within 2 to 5 years		67,301
	-	134,603
26 CONTRACTED SERVICES		
CONSULTANTS		
Legal Cost	984,638	346,985
Infrastructure and Planning	635,147	362,025
Business and Advisory	2,021,513	1,910,735
	-	-
CONTRACTORS		
Catering Services	1,866,539	1,411,966
Maintenance of Equipment	445,361	208,458
Maintenance of Unspecified Assets	12,753,741	12,711,677
Plants, Flowers and Other Decorations	76,920	29,880
Safeguard and Security	234,044	233,001
Electrical	724,750	2,381,757
Maintenance of Buildings and Facilities	5,418,266	5,523,878
Medical Services	297,788	182,873
Pest Control and Fumigation	228,850	322,180
Gardening Services	1,137,258	1,080,778
Transportation	2,150,015	1,029,357
Stage and Sound Crew	192,607	44,750
Sports and Recreation	607,437	327,940
Artists and Performers	-	31,563
Event Promoters	-	25,000
Grading of Sport Fields	954,021	1,018,072
OUTSOURCED		
Cleaning Services	166,456	135,111
Internal Auditors	-	34,783
Professional Staff	4,253,747	4,230,922
Security Services	3,192,456	2,562,236
Burial Services	49,087	16,398
Hygiene Services	588,667	136,495
Refuse Removal	853,099	705,055
Administrative and Support Staff	25,093	66,751
Transport Services	33,700	19,500
	39,891,198	37,090,126

uMSHWATHI LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	Restated R
27 GENERAL EXPENSES		
Registration Fees	915,630	746,304
Travel and Subsistence	1,349,950	619,158
Deeds	34,189	15,169
Drivers Licences and Permits	10,094	60,940
External Audit Fees	1,682,598	1,432,263
Municipal Services	2,878,617	170,468
Printing, Publications and Books	173,936	38,661
Professional Bodies, Membership and Subscription	136,486	21,080
Transfers and Subsidies	1,139,384	571,802
Skills Development Fund Levy	761,168	639,093
Storage of Files (Archiving)	246,071	204,481
System Access and Information Fees	503,270	450,672
Vehicle Tracking	16,995	11,155
Wet Fuel	3,884,998	1,581,663
Workmen's Compensation Fund	367,743	79,229
Advertising, Publicity and Marketing	1,120,677	705,073
Bank Charges, Facility and Card Fees	90,726	91,026
Cleaning Services	46,105	20,485
Communication	2,432,331	2,184,695
Entertainment	-	66,270
External Computer Service	3,818,559	3,854,557
Insurance Underwriting	900,207	675,576
Licences	154,676	6,115
Hire Charges	677,741	1,611,915
Uniform and Protective Clothing	766,389	499,496
Bursaries (Employees)	349,081	331,822
Management Fee	80,000	110,000
Eskom	2,241,662	1,201,218
Dumping Fees (District Council)	14,970	-
Honoraria (Voluntarily Workers)	-	2,246,204
Achievements and Awards	78,575	18,456
Rewards Incentives	224,975	14,704
Ward Committees	1,061,200	1,388,380
Inventory Consumed	1,095,700	1,186,183
	29,254,704	22,854,311

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 Restated R
28 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
28.1 AUDIT FEES	1,682,598	1,432,263
28.2 VAT		
Opening balance	14,538,783	10,578,459
Current year output VAT	(706,008)	(737,036)
Current year input VAT	10,934,050	9,532,073
VAT Audit - Input VAT	424,000	-
Amount refunded by SARS	(17,600,205)	(4,834,714)
Amount due from SARS	<u>7,590,620</u>	<u>14,538,783</u>
28.3 PAYE AND UIF		
Current year payroll deductions and Council UIF contributions	12,447,265	10,507,774
Amount paid - current year	12,447,265	10,507,774
28.4 PENSION AND MEDICAL AID DEDUCTIONS		
Current year payroll deductions and Council contributions	21,817,224	20,125,957
Amount paid - current year	21,817,224	20,125,957
28.5 COUNCILLORS ARREAR CONSUMER ACCOUNTS		
The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2022		
Zondi GM	7,310	-
Ntuli JB	136,746	-
	<u>144,056</u>	<u>-</u>
28.6 RECLASSIFICATIONS		
Fines have been reclassified as fines under other income in the statement of financial performance		
Traffic Fines		4,800
Library Fines		965
	-	<u>5,765</u>
28.7 CONTRIBUTIONS TO PROVISIONS		
Leave Provision	620,708	2,569,677
Long Service Award	55,125	226,135
Bad Debts	5,626,449	82,294,989
	<u>6,302,282</u>	<u>85,090,800</u>
Subsistence and Travelling included in General Expenses		
Accommodation	1,183,229	583,156
Car Rental	101,895	1,800
Flights	19,245	8,200
Incidental		-
Own Transport		362,738
	<u>1,304,369</u>	<u>955,893</u>
29 Repairs and Maintenance included in Contracted Services in the statement of Financial Performance		
Road Maintenance		
Maintenance	9,232,356	10,961,435
Environment Maintenance		124,668
Materials		-
	<u>9,232,356</u>	<u>11,086,103</u>
Building Maintenance		
Creches	733,222	1,016,670
Halls/Sportsfields	1,638,699	3,500,360
Office Buildings	1,814,331	2,200,200
Libraries	175,700	155,945
	<u>4,361,952</u>	<u>6,873,175</u>
Equipment Maintenance		-
Plant Maintenance	208,458	-
	<u>208,458</u>	<u>-</u>
Total Repairs and Maintenance	<u>13,802,766</u>	<u>17,959,278</u>

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 Restated R
Invoices for Pound Management Received in Current Year		
Contracted Services 30 June 2020		26,579,642
Prior Year Invoice from Cowcatchers received late in current Year		50,000
Closing Balance		<u>26,629,642</u>
Payables 30 June 2020		4,593,807
Prior Year Invoice from Cowcatchers received late in current Year		50,000
Closing Balance		<u>4,643,807</u>
Accumulated Depreciation adjusted after recalculation due to 2020 audit finding		
Accumulated Depreciation 30 June 2020		108,415,592
Adjustment after Recalculation		(801,736)
Closing Balance		<u>107,613,856</u>
Adjustment to Input VAT subsequent to VAT Audit Carried out by MaxProf		
VAT as at 30 June 2020		4,809,269
Adjustment to Input VAT subsequent to VAT Audit		5,769,190
Closing Balance		<u>10,578,459</u>
Arrear Interest Reversal for interest charged incorrectly on various debtor accounts		
Debtors at 30 June 2020		75,028,437
Reversal of Arrear Interest		(7,314,636)
Closing Balance		<u>67,713,802</u>
Accumulated Surplus		
Balance as at 30 June 2020		373,243,867
Invoices for Pound Management Received in Current Year		(50,000)
Depreciation Adjustment		801,736
Input VAT Adjustment		5,769,190
Reversal of Arrear Interest		(7,314,636)
Closing Balance		<u>372,450,157</u>

30 PRIOR YEAR ERROR

STATEMENT OF FINANCIAL POSITION

	As previously reported	Correction of error	Reclassification	Restated
Property Plant and Equipment	245,257,230	49,192,022		294,449,252
Intangible Assets	240,947	48,641		289,588
Vat	14,539,549	424,000		14,963,549
Inventory	-	11,768,186		11,768,186
Accumulated Surplus	(348,343,744)	(61,432,847)		(409,776,591)
Total	<u>(88,306,018)</u>	1	-	<u>(88,306,017)</u>

The municipality restated the prior year balance as follows:

Property Plant and equipment

Increase due to Infrastructure assets previously not recorded	80,716,724
Land not owned by the municipality derecognised	(849,500)
Land owned by the municipality previously not recorded	10,630,905
Land previously depreciated reversal of depreciation	425,954
Increase due to reversal of prior depreciation incorrectly calculated	103,284,365
Accumulated depreciation due to review of useful lives	(135,995,675)
Increase due to review of useful lives	1,061,897
Assets found on the ground not previously not record	24,131
Correction of difference between TB and FAR	1,661,406
Reclassification of Land Held for distribution	(11,768,186)
	<u>49,192,021</u>

Intangible Assets

Increase in Intangible Assets due to GIS system previously not capitalised	48,640
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VAT

Increase in VAT Receivables due to correction of prior year input vat accrual	424,000
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Inventories

Increase in inventoried due to reclassification of Land held for distribution	11,768,186
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Accumulated Surplus- 30 June 2021

Increase in Accumulated Surplus at 30 June 2021	61,432,847
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STATEMENT OF FINANCIAL PERFORMANCE

	As previously reported	Correction of error	Reclassification	Restated
Employee related costs	73,933,202		1,310,520	75,243,722
Remuneration of Councillors	10,230,888		(14,084)	10,216,804
Collection costs	84,539		(84,539)	-
Operating Lease	-		213,636	213,636
Contracted services	36,224,304	(58,352)	924,174	37,090,126
General expenses	25,204,018		(2,349,707)	22,854,311
Depreciation	15,802,591	6,530,882		22,333,473
	<u>161,479,542</u>	<u>6,472,530</u>	<u>(0)</u>	<u>167,952,071</u>

The municipality restated the prior year balance as follows:

Depreciation

Net Increase in Depreciation due to restatement of PPE	6,530,882
Net Decrease in Contracted services due to correction of Error	(58,352)
	<u>6,472,530</u>

The municipality reclassified expenditure to align to the MSCOA chart of Accounts:

Employee related costs	1,310,520
Remuneration of Councillors	(14,084)
Collection costs	(84,539)
Operating Lease	213,636
Contracted services	924,174
General expenses	(2,349,707)
Net effect on Deficit for the year	<u>(0)</u>

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	Restated
		R
31 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- approved and contracted for Infrastructure	15,175,388	17,195,175
	<u>15,175,388</u>	<u>17,195,175</u>
Commitments in respect of operational expenditure:		
- approved and contracted for Operational	6,701,817	-
The commitments disclosed is net of Value Added Tax This expenditure will be financed from Government Grants	<u>15,175,388</u>	<u>17,195,175</u>
	<u>21,877,205</u>	<u>17,195,175</u>
32 RETIREMENT BENEFIT INFORMATION		
Certain Councillors and Certain employees belong to defined benefit plan of the Natal Joint Superannuation and Retirement funds, and the Municipal Councillors' Pension Fund. Employees of uMshwathi make up less than 1 % of the total members of the funds. uMshwathi's liability in these funds could not be determined owing mainly to the assets not being allocated to each Municipality and one set of financials being prepared for each fund and not per municipality. These funds are subject to a triennial actuarial valuation. The last statutory valuation was performed in March 2018 on the Retirement and Provident Funds and in March 2017 on the Superannuation Fund.		
Current Year's Contribution	13,808,073	12,955,224

2022
R

2021
Restated
R

32.1 SUPERANNUATION FUND

The actuarial value of total assets was R11 054.038 million at the actuarial date, valuation date of 31 March 2017

26.1.1. surplus of R 0.00 million in respect of pensioners (funding level 100,0%)
26.1.2. surplus of R 0.00 million in respect of members (funding level 100 %)
26.1.3. the fund was thus 100,0% funded
26.1.4. the fund did not hold an investment reserve.
26.1.5. the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future service by 1,41% of member's pensionable emoluments
26.1.6. An additional contribution by way of a surcharge amounting to 9.5% of salaries is currently in place to fund the deficit. This surcharge will build up the Solvency Reserve.

32.2 RETIREMENT FUND

The actuarial value of total assets was R4 055.121 million at the actuarial valuation date of 31 March 2018

26.2.1. surplus of R 0.00 in respect of pensioners (funding level 100,0%)
26.2.2. deficit of R 148.694 million in respect of members (funding level 91.1%)
26.2.3. the fund was thus 96.1 funded
26.2.4. the fund did not hold an investment reserve
26.2.5. the total contribution rate payable will include a surcharge of 16.5% payable to reduce the deficit in the fund.

32.3 PROVIDENT FUND

The actuarial value of total assets was R4 105.682 million at the actuarial valuation date of 31 March 2018

26.2.1. surplus/deficit of R 0.00 and the funding level is 94.66%
26.2.3. the fund was thus 94.66 funded
26.2.4. the fund did not hold an investment reserve

33 RISK MANAGEMENT

The municipality's activities expose it to a variety of financial risks: market risk (fair value interest rate risk and cash flow interest rate risk) credit risk and liquidity risk. The municipality has developed a comprehensive risk strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks. Internal Audit function reports quarterly to the Audit Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures. The risk management process relating to each of these risks is discussed under the headings below.

Liquidity risk

The entity manages liquidity risk through proper management of working capital, capital expenditure and actual forecast cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

Interest rate risk

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

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The entity 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 on-going 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 customers, taking into account its financial position, past experience and other factors.

34 CASH GENERATED BY OPERATIONS

Surplus for the year	31,692,176	(30,578,945)
Depreciation	20,587,706	22,333,473
Contributions to provisions- non-current	5,626,449	85,090,800
Operating surplus before working capital changes	57,906,331	76,845,328
Change in Working Capital	17,786,103	(15,481,919)
	75,692,434	61,363,410

uMSHWATHI LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	Restated R
35 RELATED PARTY TRANSACTIONS		
The municipality is administered by 5 senior managers namely the Municipal Manager (Accounting Officer); the Chief Financial Officer; General Manager: Corporate Services; General Manager: Technical Services and the General Manager: Community Services who are accountable to the Council. During the year the following remuneration was paid to the managers:		
	Basic Salary	Car Allowance
		Total
Municipal Manager	760,239	613,520
Chief Financial Officer	916,967	175,376
General Manager: Corporate Services	855,287	312,382
General Manager: Technical Services	640,581	484,546
General Manager: Community Services	875,847	230,447
	4,048,921	1,816,271
		5,865,192
The Remuneration for Councillors is disclosed in Note 16		
Other Related Party Transaction		
Awards made to suppliers whom the owner is a spouse or/and an employee		
Supplier Name: Dalton Builders t/a Coco Haven		
Employee: Ms. N. Sahibdeen		
Value of Award : R459 516.70		
36 Financial Instruments		
Financial Assets		
Receivables		
Receivables from Exchange Transactions	13,493,772	7,424,097
Receivables from Non-Exchange Transactions	16,087,387	8,009,757
Cash and Cash Equivalents		
Call Investments	98,269,004	67,095,562
Bank	1,264,544	6,426,364
	129,114,707	88,955,781
Financial Liabilities		
Trade and Other Payables	17,562,826	11,245,936
	17,562,826	11,245,936
37 GAINS AND LOSSES		
Gain and (Losses)	(1,103,227)	-

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

7 PROPERTY, PLANT AND EQUIPMENT	2022			2021		
	Cost	Accumulated Depreciation	Carrying value	Cost	Accumulated Depreciation	Carrying value
Land	9,671,214	-	9,671,214	9,671,214	-	9,671,214
Buildings	128,169,780	(53,137,561)	75,032,218	125,054,144	(54,848,766)	70,205,378
Infrastructure	390,707,106	(171,294,643)	219,412,464	357,712,439	(152,919,778)	204,792,661
Furniture and Equipment	10,154,826	(7,369,110)	2,785,716	12,388,463	(9,138,939)	3,249,524
Vehicles	11,774,941	(4,764,974)	7,009,967	12,993,397	(7,465,362)	5,528,035
Machinery and Tools	2,033,136	(1,199,436)	833,700	2,076,263	(1,073,822)	1,002,440
	552,511,002	(237,765,724)	314,745,278	519,895,919	(225,446,667)	294,449,252

Reconciliation of property, plant and equipment - 2022

	Opening Balance	Additions	Work In Progress	Disposals	Depreciation	Impairment loss	Total
Land	9,671,213						9,671,213
Buildings	75,647,028	1,112,863	2,002,773		(3,712,839)	(17,608)	75,032,218
Infrastructure	199,351,011	19,544,319	13,450,348		(12,451,150)	(482,065)	219,412,464
Furniture and Equipment	3,249,524	1,179,500		(209,299)	(1,434,008)		2,785,717
Vehicles	5,528,035	3,972,203		(176,163)	(2,205,730)	(108,378)	7,009,967
Machinery and Tools	1,002,440	39,770		-	(208,510)		833,699
	294,449,252	25,848,654	15,453,122	(385,462)	(20,012,237)	(608,051)	314,745,278

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

						2022	2021
Reconciliation of property, plant and equipment - 2021							
	Opening Balance	Additions	Work In Progress	Disposals	Depreciation	Impairment loss	Total
Land	9,671,213						9,671,213
Buildings	69,179,551	2,574,780	1,909,202		(3,458,155)		70,205,378
Infrastructure	194,421,785	12,201,331	10,856,825		(12,687,279)		204,792,661
Furniture and Equipment	5,532,148	459,828			(2,742,451)		3,249,524
Vehicles	4,684,544	2,924,886			(2,081,395)		5,528,035
Machinery and Tools	1,079,466	311,350			(388,376)		1,002,440
	284,568,706	18,472,175	12,766,027	-	(21,357,657)	-	294,449,252

RECONCILIATION OF WORK IN PROGRESS 2022

	Included Within Infrastructure Assets	Included Within Buildings	Total
Opening Balance	11,885,254	2,806,537	14,691,792
Additions	32,994,667	3,115,636	36,110,303
Transfers	(19,544,319)	(1,112,863)	(20,657,181)
	25,335,603	4,809,311	30,144,913

RECONCILIATION OF WORK IN PROGRESS 2021

	Included Within Infrastructure Assets	Included Within Buildings	Total
Opening Balance	1,028,429	897,335	1,925,764
Additions	10,856,825	1,909,202	12,766,027
	11,885,254	2,806,537	14,691,792

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
8 INVESTMENT PROPERTY		
Cost	14,117,347	14,117,347
Accumulated Depreciation	(4,371,136)	(3,918,199)
Carrying Value	<u>9,746,211</u>	<u>10,199,148</u>
Additions: Current Year	-	-
Cost as at 30 June 2022	<u>14,117,347</u>	<u>14,117,347</u>
Depreciation: Current Year	-	-
Depreciation as at 30 June 2022	<u>(4,371,136)</u>	<u>(3,918,199)</u>
Carrying Value at end of the year	<u>9,746,211</u>	<u>10,199,148</u>

The Thusong Centre is classified as Investment Property due to the nature of rentals collected from the Government Departments. Investment Property is depreciated on a straight line basis over 30 years

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
9 INTANGIBLE ASSETS		
Software Licences and LAN Network		
Cost:	4,072,982	4,014,330
Accumulated Amortisation	(3,783,394)	(3,773,685)
Carrying Value 01 July 2021	289,588	240,645
Additions - 2021/22	46,957	58,652
Amortisation for the year	(86,659)	(9,709)
Disposals	(85,036)	-
	(124,738)	48,943
Cost: 30 June 2021	4,119,938	4,072,982
Accumulated Amortisation	(3,955,088)	(3,783,394)
Carrying Amount 30 June 2022	164,850	289,588

The software and network is being amortised over 5 years being its useful life.

10 RECEIVABLES

	Gross balance	Provision for doubtful debts	Net balance
Balances at 30 June 2022			
10.1 Receivables from Exchange Transactions			
Service debtors	7,456,458	(6,065,674)	1,390,784
Rental	1,405,040	(1,142,972)	262,068
Sundry Other: Interest	63,483,115	(51,642,195)	11,840,920
	72,344,613	(58,850,841)	13,493,772
10.2 Receivables from Non-Exchange Transactions			
Rates	58,032,716	(47,208,409)	10,824,307
Collection Fees	11,502,852	(9,357,331)	2,145,521
Other	16,714,276	(13,596,717)	3,117,559
	86,249,844	(70,162,457)	16,087,387
Total	158,594,457	(129,013,296)	29,581,161

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
Reconciliation of provision for doubtful debts		
Balance at the beginning of the year	123,371,946	41,076,958
Contribution to provision	5,641,351	82,294,989
Balance at the end of year	129,013,297	123,371,946

Ageing

	Current	30 Days	60 Days	90 Days	120 days	+ 150 Days	Total
	6,481,610	3,168,370	2,911,448	2,744,367	7,363,109	135,925,554	158,594,458
Agriculture/Commercial	850,000	540,477	480,855	467,395	463,604	12,722,178	15,524,509
Government	2,780,101	889,329	899,673	886,419	5,599,485	49,723,887	60,778,894
Residential	2,851,509	1,738,564	1,530,920	1,390,553	1,300,020	73,479,489	82,291,055

Balances at 30 June 2021

Receivables from Exchange Transactions

	Gross balance	Provision for doubtful debts	Net balance
Service debtors	6,231,532	(5,170,465)	1,061,067
Rental	1,179,347	(1,083,085)	96,262
Sundry Other: Interest	58,355,547	(52,088,779)	6,266,768
	65,766,426	(58,342,329)	7,424,097

Receivables from Non-Exchange Transactions

Rates	50,614,342	(42,604,585)	8,009,757
Collection Fees	11,974,586	(10,688,642)	1,285,944
Other	13,148,388	(11,736,390)	1,411,998
	75,737,316	(65,029,617)	10,707,699
Total	141,503,742	(123,371,946)	18,131,796

Ageing

	Current	30 Days	60 Days	90 Days	120 Days	> 150 days	Total
	4,466,470	2,579,191	2,531,260	2,249,699	2,273,912	127,403,211	141,503,743
Agriculture/Commercial	2,174,751	903,867	1,002,005	877,890	875,724	31,575,507	37,409,744
Government	922,660	783,931	734,795	660,221	759,196	47,018,022	50,878,825
Residential	1,369,059	891,393	794,460	711,588	638,992	48,809,682	53,215,174

The carrying value of debtors is assumed to approximate its fair value since interest is charged on accounts once gone into arrears. An estimate is made of doubtful debts based on a review of outstanding debtors at year end.

**uMshwathi Local Municipality
For the Year Ended 30 June 2022**

Note 37 DEVIATIONS

The following is a list of expenditure for which there was a deviation from the normal SCM process

UNIQUE NO.	DATE REQUESTED	APPROVED DATE	DEPARTMENT	REASONS FOR DEVIATING	COMPANY AWARDED	AMOUNT	VOTE NUMBER
441	9/13/2021	9/13/2021	Corporate Service	Single Provider	Magna Business Consulting	61,513.50	O0021-1/IE00663/F0041/X105
1033	28/09/2021	28/09/2021	Corporate Service	Exceptional Circumstance	Sifisokuhle t/a Bayeni Services	50,400.00	00001/IE00698/F0041/X046/R1321
1033	28/09/2021	28/09/2021	Corporate Service	Exceptional Circumstance	Isqandu Security Services	48,959.64	00001/IE00698/F0041/X046/R1321
1170	04/01/2022	04/01/2022	Corporate Service	Exceptional Circumstance	Yesomi IT Solution	57,790.00	O0001/IE00600/F0041/X052
1171	24/01/2022	24/01/2022	Technical Services	Emergency	Yesomi IT Solution	147,740.00	O0001/IE00794/F0041/X052/R1321/001
447	08/03/2022	08/03/2022	Community Service	Single Provider	Truvelo Africa	15,790.48	O0021-8/IE00583/F0041/X105/R1321
1034	02/06/2022	02/06/2022	MM's	Emergency	Satisfaction Cleaning Services	15,120.00	O0015-4/IE00649/F0041/X047/R1321
451	29/04/2022	30/06/2022	Community Service	Exceptional Circumstance	Trust Feed Suppliers	30,000.00	O1273-9/IE00695/F0041/X132/R132/001/C OMM
Total deviations						427,313.62	

**uMshwathi Local Municipality
For the Year Ended 30 June 2022**

38 IRREGULAR EXPENDITURE

	2022	2021
	R	R
Opening Balance	393,027	1,323,591
Cleared during the year	-	(1,055,464)
Irregular Expenditure Current Year	-	-
Discovered during the audit	-	124,900
Condoned During the Year:	(151,600)	-
Closing Balance	<u><u>241,427</u></u>	<u><u>393,027</u></u>

The irregular expenditure identified in 2018/19 was condoned by Council on 29 October 2020.

39 UNAUTHORISED EXPENDITURE

Opening Balance	77,090,800	-
Contribution to Provisions	4,626,449	77,090,800
Remuneration of Councillors	547,322	
Depreciation and amortisation	3,987,706	
Condoned During the Year:	<u>(77,090,800)</u>	
	<u><u>9,161,477</u></u>	<u><u>77,090,800</u></u>

The unauthorised expenditure incurred in the 2021 YE has been condoned in the current year under review.

40 FRUITLESS AND WASTEFUL EXPENDITURE

Opening Balance	0	0
Traffic Fine not Recovered	0	0
Penalty for late submission of WCA Return	0	0
Condoned by Council	0	0
	<u><u>0</u></u>	<u><u>0</u></u>

uMshwathi Local Municipality did not incur any fruitless and wasteful expenditure during the period under review.