Alfred Duma Local Municipality
(Registration number KZN 238)
Annual Financial Statements
for the year ended 30 June 2022

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	The primary function of Alfred Duma Local Municipality is to provide basic services i.e. electricity, refuse, roads and stormwater facilities within the municipality's jurisdiction. The mandate of the Muncipality is in terms of section 152 of the Constitution of South Africa.
Mayoral committee	
Mayor	Cllr. ZJ Sibisi (17/12/2021-to date)
	Cllr.MV Madlala (01/07/2021-09/11/2021)
Speaker	Cllr. BP Sithole (17/12/2021-to date)
	Cllr. TW Ngubane (01/07/2021-08/11/2021)
Deputy Mayor	Cllr. SS Simelane (17/12/2021- to date)
	Cllr. T Hadebe (01/07/2021-08/11/2021)
Chief Whip	Cllr. S Sithole (17/12/2021- to date)
	Cllr. TB Njapha (01/07/2021-08/11/2021)
Executive Committee	Current (17/12/2021- to date)
	Cllr. TP Dlamini
	Cllr. T Hadebe
	Cllr. TP Khumalo
	Cllr. SE Madondo
	Cllr. MB Mbhele
	Cllr. A Mchunu
	Cllr. TP Njoko
	Cllr. ASD Warasally
	Period (01/07/2021-08/11/2021)
	Cllr. ASD Warasally
	Cllr. LS Madinane
	Cllr. SZP Msibi
	Cllr. S Simelane
	Cllr. NA Khanyile
	Cllr. A Mchunu
	Cllr. MR Suddaby
	Cllr. MN Mlotshwa
Grading of local authority	Grade 4
Accounting Officer	S S Ngiba
Registered office	Lister Clarence Building 221 Murchison Street Ladysmith 3370
Business address	Lister Clarence Building 221 Murchison Street 3370
Postal address	PO Box 29 Ladysmith Kwazulu-Natal 3370

General Information

Bankers	ABSA Bank, Standard Bank, Nedbank, Investec Bank and First National Bank
Auditors	Auditor General of South Africa
Preparer	The annual financial statements were internally compiled by: Manager: Expenditure and Financial Reporting and reviewed by the Acting Chief Financial Officer and Internal Audit.

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The reports and statements set out below comprise the annual financial statements presented to the Provincial Legislature:

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
INEP	Intergrated National Electrification Programme
MIG	Municipal Infrastructure Grant
MDRG	Municipal Disaster Relief Grant

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 she 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, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The Accounting Officer also certifies that salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office as disclosed in the Annual Financial Statements below are within the upper limits of the framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 November 2022 and were signed on its behalf by:

Accounting Officer
SS Ngiba

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	501 976 881	454 420 220
Receivables from non-exchange transactions	9	231 391 417	229 116 858
Receivables from exchange transactions	8	98 662 604	82 468 089
Inventories	7	142 510 832	148 987 092
VAT receivable	10	21 777 622	10 510 728
		996 319 356	**925 502 987**
Non-Current Assets			
Investment property	3	86 363 377	81 904 838
Property, plant and equipment	4	1 916 776 366	1 893 472 298
Intangible assets	5	1 112 056	744 526
Heritage assets	6	21 400 526	21 400 526
Receivables from exchange transactions		-	1 147
		2 025 652 325	**1 997 523 335**
Total Assets		**3 021 971 681**	**2 923 026 322**
Liabilities			
Current Liabilities			
Long term loans	17	780 878	682 362
Finance lease obligation	14	1 048 934	862 051
Payables from exchange transactions	11	207 555 576	218 834 067
Consumer deposits	12	21 125 753	18 940 304
Unspent conditional grants and receipts	13	46 542 909	45 213 408
Provisions	16	923 699	1 111 331
Employee benefits obligation	15	3 939 000	4 595 000
		281 916 749	**290 238 523**
Non-Current Liabilities			
Long term loans	17	3 365 679	4 187 532
Finance lease obligation	14	801 919	1 850 853
Provisions	16	69 587 957	57 705 077
Employee benefits obligation	15	67 877 000	67 652 999
		141 632 555	**131 396 461**
Total Liabilities		**423 549 304**	**421 634 984**
Net Assets		**2 598 422 377**	**2 501 391 338**
Reserves			
Housing Operating Fund	18	42 716 927	39 022 075
Accumulated surplus	19	2 555 705 450	2 462 369 263
Total Net Assets		**2 598 422 377**	**2 501 391 338**

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	456 739 961	407 939 389
Rental of facilities and equipment	25	1 643 185	2 040 398
Interest received - receivables from exchange transactions	22	9 092 868	9 353 488
Agency services	27	3 354 239	2 831 162
Licences and permits	28	2 775 106	2 395 340
Sale of goods and rendering of services		1 576 783	2 036 215
Operational revenue	30	7 890 216	3 005 128
Interest received - investment	23	18 522 045	13 878 296
Fair value adjustments	31	4 458 539	1 998 980
Actuarial gains	15	5 989 495	1 663 115
Increase in inventory net realisable value		-	800 601
Total revenue from exchange transactions		**512 042 437**	**447 942 112**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	216 986 727	209 281 983
Property rates - penalties imposed	20	36 252 541	33 174 372
Transfer revenue			
Government grants & subsidies	24	398 107 565	394 213 120
Public contributions and donations	42	14 505	3 460 710
Fines, Penalties and Forfeits	26	5 905 986	8 619 004
Total revenue from non-exchange transactions		**657 267 324**	**648 749 189**
Total revenue		**1 169 309 761**	**1 096 691 301**
Expenditure			
Employee related costs	32	(343 098 044)	(334 947 743)
Remuneration of councillors	33	(25 982 766)	(26 427 751)
Depreciation and amortisation	38	(78 668 506)	(91 400 247)
Impairment on cash and non-cash generating assets	39	(7 345 904)	(152 000)
Finance costs	36	(3 039 277)	(3 250 767)
Lease rentals on operating lease	29	(1 734 142)	(1 757 074)
Debt Impairment	41	(73 333 424)	(15 199 652)
Bad debts written off		(11 431 693)	(44 462 814)
Bulk purchases	35	(332 910 050)	(275 456 200)
Contracted services	34	(78 132 271)	(66 714 663)
Transfers and Subsidies	40	(11 340 778)	(10 379 409)
Loss on disposal of assets and liabilities		(9 802 435)	(5 599 017)
Inventories losses/write-downs		(12 050 685)	-
Inventory consumed		(13 330 249)	(14 703 631)
Operational costs	37	(72 259 557)	(71 051 462)
Total expenditure		**(1 074 459 781)**	**(961 502 430)**
Surplus for the year		**94 849 980**	**135 188 871**

Statement of Changes in Net Assets

Figures in Rand	Housing Operating Fund	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	36 767 674	2 351 141 238	2 387 908 912
Adjustments			
Correction of errors (Note) 49	-	(23 274 339)	(23 274 339)
Balance at 01 July 2020 as restated*	**36 767 674**	**2 327 866 899**	**2 364 634 573**
Changes in net assets			
Proceeds transferred to gains/losses on sale of land	-	(661 164)	(661 164)
Net income (losses) recognised directly in net assets	-	(661 164)	(661 164)
Surplus for the year	-	135 188 871	135 188 871
Total recognised income and expenses for the year	-	134 527 707	134 527 707
Proceeds of the Housing Operating Account	2 619 077	-	2 619 077
Utilisation of the Housing Insurance Fund	(364 676)	-	(364 676)
Net movement of the Self Insurance Fund	-	(25 343)	(25 343)
Total changes	2 254 401	134 502 364	136 756 765
Restated* Balance at 01 July 2021	**39 022 075**	**2 462 371 004**	**2 501 393 079**
Changes in net assets			
Proceeds transferred to gains/losses on sale of land	-	(2 060 942)	(2 060 942)
Net movement of the Housing Operating Account	3 694 852	-	3 694 852
Net movement of the Self- Insurance Fund	-	545 409	545 409
Net income (losses) recognised directly in net assets	3 694 852	(1 515 533)	2 179 319
Surplus for the year	-	94 849 979	94 849 979
Total recognised income and expenses for the year	3 694 852	93 334 446	97 029 298
Total changes	3 694 852	93 334 446	97 029 298
Balance at 30 June 2022	**42 716 927**	**2 555 705 450**	**2 598 422 377**

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Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Taxation		181 982 237	160 447 084
Sale of goods and services		443 862 401	397 989 308
Grants		450 591 923	423 250 552
Interest income		21 770 286	16 933 487
		1 098 206 847	998 620 431
Payments			
Employee costs		(363 250 566)	(354 771 544)
Suppliers		(577 551 768)	(476 083 959)
Finance costs		(500 254)	(914 215)
		(941 302 588)	(831 769 718)
Net cash flows from operating activities	43	**156 904 259**	**166 850 713**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(107 755 187)	(86 150 070)
Proceeds from sale of property, plant and equipment	4	549 777	159 100
Purchase of other intangible assets	5	(556 800)	(170 987)
Net cash flows from investing activities		**(107 762 210)**	**(86 161 957)**
Cash flows from financing activities			
Repayment of long term loans		(723 337)	(670 280)
Finance lease payments		(862 051)	(261 313)
Net cash flows from financing activities		**(1 585 388)**	**(931 593)**
Net increase/(decrease) in cash and cash equivalents		**47 556 661**	**79 757 163**
Cash and cash equivalents at the beginning of the year		454 420 220	374 663 057
Cash and cash equivalents at the end of the year	2	**501 976 881**	**454 420 220**

Statement of comparion budget and actual

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2022											
Financial Performance											
Property rates	223 067 592	(4 056 810)	219 010 782	-		219 010 782	216 986 727		(2 024 055)	99 %	97 %
Service charges	480 341 888	(10 646 979)	469 694 909	-		469 694 909	456 739 961		(12 954 948)	97 %	95 %
Investment revenue	13 747 680	1 855 312	15 602 992	-		15 602 992	18 522 045		2 919 053	119 %	135 %
Transfers recognised - operational	276 035 004	19 990 210	296 025 214	-		296 025 214	277 377 763		(18 647 451)	94 %	100 %
Other own revenue	64 078 320	(1 781 721)	62 296 599	-		62 296 599	199 683 265		137 386 666	321 %	312 %
Total revenue (excluding capital transfers and contributions)	**1 057 270 484**	**5 360 012**	**1 062 630 496**	**-**		**1 062 630 496**	**1 169 309 761**		**106 679 265**	**110 %**	**111 %**
Employee costs	(358 827 308)	(12 231 325)	(371 058 633)	-	-	(371 058 633)	(343 098 044)	-	27 960 589	92 %	96 %
Remuneration of councillors	(29 734 908)	2 054 838	(27 680 070)	-	-	(27 680 070)	(25 982 766)	-	1 697 304	94 %	87 %
Depreciation and asset impairment	(157 397 124)	52 166 828	(105 230 296)			(105 230 296)	(78 668 506)	-	26 561 790	75 %	50 %
Finance charges	(449 616)	(51 254)	(500 870)	-	-	(500 870)	(3 039 277)	-	(2 538 407)	607 %	676 %
Materials and bulk purchases	(358 701 876)	1 265 970	(357 435 906)	-	(165 500)	(357 601 406)	(344 960 735)	-	12 640 671	96 %	96 %
Transfers and grants	(10 439 604)	(2 499 996)	(12 939 600)	-	-	(12 939 600)	(11 340 778)	-	1 598 822	88 %	109 %
Other expenditure	(253 833 216)	1 646 527	(252 186 689)	-	165 500	(252 021 189)	(267 369 675)	-	(15 348 486)	106 %	105 %
Total expenditure	**(1 169 383 652)**	**42 351 588**	**(1 127 032 064)**	**-**	**-**	**(1 127 032 064)**	**(1 074 459 781)**	**-**	**52 572 283**	**95 %**	**92 %**
Surplus/(Deficit)	**(112 113 168)**	**47 711 600**	**(64 401 568)**	**-**		**(64 401 568)**	**94 849 980**		**159 251 548**	**(147)%**	**(85)%**

Statement of Comparison of Budget and Actuals

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	86 210 998	18 652 529	104 863 527	-		104 863 527	89 517 396		(15 346 131)	85 %	104 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	14 505		14 505	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**(25 902 170)**	**66 364 129**	**40 461 959**	**-**		**40 461 959**	**184 381 881**		**143 919 922**	**456 %**	**(712)%**
Surplus/(Deficit) for the year	**(25 902 170)**	**66 364 129**	**40 461 959**	**-**		**40 461 959**	**184 381 881**		**143 919 922**	**456 %**	**(712)%**
Financial Position											
Total current assets	1 862 791 000	942 302 000	2 805 093 000	-		2 805 093 000	1 339 637 288		(1 465 455 712)	48 %	72 %
Total non-current assts	1 920 534 000	154 775 000	2 075 309 000	-		2 075 309 000	2 025 652 325		(49 656 675)	98 %	105 %
Total current liabilities	1 296 583 000	(1 008 872 000)	287 711 000	-		287 711 000	625 234 681		337 523 681	217 %	48 %
Total non-current liabilities	144 962 000	(3 988 000)	140 974 000	-		140 974 000	141 632 555		658 555	100 %	98 %
Community wealth / equity	2 341 530 000	225 862 000	2 567 392 000	-		2 567 392 000	2 779 713 850		212 321 850	108 %	119 %

Statement of Comparison of Budget and Actuals

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Transfers and subsidies - capital	(86 210 998)	(18 652 529)	(104 863 527)	-		(104 863 527)	(101 766 934)		3 096 593	97 %	118 %
Sources of capital funds											
Transfers recognised - capital	(86 210 998)	(18 652 529)	(104 863 527)	-		(104 863 527)	(89 517 396)		15 346 131	85 %	104 %
Internally generated funds	(36 700 000)	(415 000)	(37 115 000)	-		(37 115 000)	(18 794 591)		18 320 409	51 %	51 %
Total sources of capital funds	**(122 910 998)**	**(19 067 529)**	**(141 978 527)**	**-**		**(141 978 527)**	**(108 311 987)**		**33 666 540**	**76 %**	**88 %**
Cash flows											
Net cash from (used) operating	407 542 000	(141 853 000)	265 689 000	-		265 689 000	156 904 259		(108 784 741)	59 %	39 %
Net cash from (used) investing	-	(250 000)	(250 000)	-		(250 000)	(107 762 210)		(107 512 210)	43 105 %	DIV/0 %
Net cash from (used) financing	-	(189 000)	(189 000)	-		(189 000)	(1 585 388)		(1 396 388)	839 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**407 542 000**	**(142 292 000)**	**265 250 000**	**-**		**265 250 000**	**47 556 661**		**(217 693 339)**	**18 %**	**12 %**
Cash and cash equivalents at the beginning of the year	445 126 000	9 616 000	454 742 000	-		454 742 000	454 420 220		(321 780)	100 %	102 %
Cash and cash equivalents at year end	**852 668 000**	**(132 676 000)**	**719 992 000**	**-**		**719 992 000**	**501 976 881**		**218 015 119**	**70 %**	**59 %**

Statement of Comparison of Budget and Actuals

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome

Significant decrease/increase is explained below;

Investment Revenue: Cash flow was monitored to ensure that investments were maximised where surplus funds became available, thereby maximising interest income.

Other Revenue: Fair value gains recognised on employee benefits obligation, interest and penalties on debtors are higher than anticipated during the budget process.

Depreciation and Assets Impairment: The Municipality revised the remaining useful lifes of assets and this resulted in less depreciation charge.

Finance Costs: The Municipality has recognised interest on landfill sites R2 950 153 as per Grap 19 report obtained from an Independent assessor The municipality budgeted less than anticipated.

Transfers and Grants: Actual expenditure lower than anticipated during the budget process.

Transfers Recognised Capital: MIG, Housing Accreditation Grants were not fully spent at year end.

Internally Generated Funds: Due to long lead times, the procurement of Heavy Plant was moved to the 2022/2023 financial year budget.

Accounting Policies

Figures in Rand	Note(s)	2022	2021

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.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

Receivables from exchange and non-exchange transactions

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives of infrastructure and other assets

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

Post-retirement benefits

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

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

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Recognition and Derecognition of Land

In some instances the entity is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follows:
- Whether the municipality can direct the use of the land's future economic benefits or service potential to provide services o beneficiaries
- Whether the municipality can exchange, dispose of, or transfer the land; and/or
- Whether the municipality can use the land in any other way to generate future economic benefits or service potential

Where the municipality uses the land to provide future economic benefits or service potential while another entity has the right to exchange, dispose of, or transfer the land, the municipality shall assess its ability to exercise the right to exchange, dispose of, or transfer the land to determine if it is able to direct or restrict or deny access to the land.

When a municipality directs the use of the land to provide services to beneficiaries, either itself or through directing another entity to provide specific services, the municipality will conclude that it has the right to direct access to land and to restrict or deny access of others to land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follows:
- Whether another entity can direct the use of the land's future economic benefits or service potential to provide services to beneficiaries
- Whether another entity can exchange, dispose of, or transfer the land; and/or
- Whether another entity can use the land in any other way to generate future economic benefits or service potential

An entity may be granted a right to use the land for a period of time. Control of the land will be demonstrated if the entity has substantive rights to the land that enable it to direct access to the land, or to restrict or deny the access of others to land. For the entity to demonstrate control, the right of use needs to be for an unlimited period of time and the entity should have other substantive rights that enable it to direct access to the land, or to restrict or deny the access of others to the land. In the absence of the municipality demonstrating that it has granted the right to direct access to and restrict or deny access of others to the land to another entity, the legal owner controls the land as it retains the right to direct access to land, and to restrict or deny the access of others to land.

Additional information is disclosed in Note .

1.4 Significant judgements and sources of estimation uncertainty (continued)

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied in determining whether the municipality is an agent are as follows:

a) It does not have the power to determine the significant terms and conditions of the transaction.

For an municipality to be an agent, it must not have the power to determine the significant terms and conditions of the transactions with third parties. This means that it should not have the power to affect the result of the transaction. The result of a transaction is the economic benefits or service potential (or both) that arise from that transaction. The economic benefits or service potential can therefore be quantitative or qualitative.

The quantitative result of a transaction represents the monetary amount of a transaction and could include:
- The amount paid by the third party for a good or a service received, or the amount of any tax, levy or other charge paid
- The amount paid to the third party for goods and services procured, or benefits paid as part of a non-exchange transaction, e.g. a social benefit.

The qualitative result of a transaction could include:
- The quality of a particular good or service received by the third party.
- The administrative efficiency with which a specific transaction or activity should be performed.
- The volume of a good or service provided to the third party

The municipality does not have the power to determine the significant terms and conditions of transactions with third parties if it is not able to decide, for example, the following aspects, but not limited to:
- What goods and services should be provided to, or procured from, third parties; or what taxes, levies or other charges should be levied on, or payments made to, third parties.
- To whom goods and services should be provided, or from whom goods and services should be procured; or on whom taxes, levies or other charges should be levied, or to whom payments should be made. This does not require the identification of specific individual third parties, and could be groups of affected third parties.
- The price to be paid by third parties, or agree on the price to be paid to third parties; or the amount of tax, levies or other charges to be paid by, or the amount of payments to be made to, third parties.
- The quality of the goods and services provided to, or received from, third parties. This may be less relevant to transactions that relate to taxes, levies, charges received by, or payment by or to, third parties

b) It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit

The types of resources that result from transactions with third parties could vary depending on the activities that are to be undertaken in terms of the binding arrangement. The resources that could result from transactions with third parties include:
- Receipts related to specific goods and services provided, or taxes, levies and other charges.
- Disbursements for specific goods and services procured to enable the execution of the transactions with third parties. The goods and services procured could also result in inventory.
- The municipality must not have the ability to use all, or substantially all, of the resources that result from the transactions with third parties. Where the municipality retains a portion of the revenue collected as a fee, e.g. a commission, or administration or transaction fee, for the service provided, this fee is usually nominal in relation to the total revenue collected, and as a result, the municipality would not have the ability to use all or substantially all of the resources that result from the transaction.

c) It is not exposed to variability in the results of the transaction:
A municipality is exposed to variability in the results of the transaction when it has exposure to both the positive and negative results associated with that transaction, and these exposures are not limited or fixed. There may be a number of factors that the municipality considers in determining whether it is exposed to the variability in the results of transactions. The municipality's exposure to the variability in the results of a transaction are usually limited if:
- Another party is responsible for fulfilling the rights and obligations established in the binding arrangement. For example, if the provision of a certain good or service is the responsibility of a specific type of entity in legislation, then it is likely that recipients of that good or service will look to that entity for delivery of those goods or services.
- The municipality has limited inventory risk, i.e. the risk of theft, obsolescence or other losses, as well as changes in value.
- The municipality receives a fixed fee or a fixed margin, e.g. commission, or administration or transaction fee, for carrying out the transactions.
- The municipality is not exposed to significant default risk, i.e. the risk of fees, taxes, levies or other charges not being paid by third parties.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is measured 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, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the 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 municipality 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 are 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

1.4 Significant judgements and sources of estimation uncertainty (continued)

Accounting for adjustments to revenue

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

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

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

Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

(a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or

(b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

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.

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

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

1.5 Investment property (continued)

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.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:
• All properties held to earn market related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
• Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner occupied property or for short term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
• Property that is being constructed or developed for future use as investment property;
• A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases; and
• A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment or Inventory as appropriate:
• Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
• Property being constructed or developed on behalf of third parties;
• Owner occupied property, including (among other things) property held for future use as owner occupied property, property held for future development and subsequent use as owner?occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner occupied property awaiting disposal;
• Property that is leased to another entity under a finance lease;
• Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
• Property held for strategic purposes or service delivery.

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

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

1.6 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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 X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the 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.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Accounting Policies

1.6 Property, plant and equipment (continued)

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 in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Depreciation method	Average useful life
Buildings - Community	Straight-line	50
Buildings - Administrative	Straight-line	50
Roads and Paving	Straight-line	10 - 50
Electricity	Straight-line	10 - 50
Landfill Sites	Straight-line	15
Stormwater	Straight-line	100
Bridges	Straight-line	50 - 100
Gravel Roads	Straight-line	10 - 50
Street Furniture	Straight-line	6 - 20
Recreational Facilities	Straight-line	15 - 50
Specialised vehicles	Straight-line	5 - 20
Other vehicles	Straight-line	5 - 20
Plant and Machinery	Straight-line	3 - 20
Furniture and Office Equipment	Straight-line	2 - 20
Plant and Equipment	Straight-line	3 - 20
Computer Equipment	Straight-line	3 - 10
Containers	Straight-line	7 - 10
Specialised Plant and Equipment	Straight-line	3 -20
Other items of Plant and Equipment	Straight-line	3 - 20

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.

1.6 Property, plant and equipment (continued)

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

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

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

1.7 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.

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited 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
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) 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; and
(c) 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 end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 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.

1.8 Intangible assets (continued)

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.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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
Servitudes	Straight-line	Indefinite
Computer software, other	Straight-line	2 - 10 years

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

1.9 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.

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

Class of heritage assets means a grouping of heritage assets of a similar nature or function in 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.

1.9 Heritage assets (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

1.9 Heritage assets (continued)

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.

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).

1.10 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).

1.10 Financial instruments (continued)

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

1.10 Financial instruments (continued)

- 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;
- 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
Trade and other receivables	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
Long term liabilities	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

1.11 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
- 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.

1.11 Statutory receivables (continued)

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.

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.

1.11 Statutory receivables (continued)

Derecognition

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

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

1.12 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 .

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.

1.13 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.

1.13 Inventories (continued)

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.

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.

1.14 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.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

1.14 Impairment of cash-generating assets (continued)

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.

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

1.14 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

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

Reversal of impairment loss

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

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

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

1.15 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.

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

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.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

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.

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

The municipality 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.

Accounting Policies

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

Redesignation

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

1.16 Employee benefits

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

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

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

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

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

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

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

1.16 Employee benefits (continued)

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Accounting Policies

1.16 Employee benefits (continued)

Insured benefits

Where the entity pays insurance premiums to fund a post-employment benefit plan, the entity treats such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation to either:

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

Post-employment benefits: Defined contribution plans

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

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

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

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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

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

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

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

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

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

The municipality 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 municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.16 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

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

1.17 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of 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 50.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

1.17 Provisions and contingencies (continued)

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 1.14 and 1.15.

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.

1.17 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:
- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

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

1.19 Revenue from exchange transactions (continued)

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 .

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.

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

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

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

1.20 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.

1.20 Revenue from non-exchange transactions (continued)

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.

1.21 Investment income

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

1.22 Borrowing costs

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

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

1.23 Accounting by principals and agents

Accounting Policies

1.23 Accounting by principals and agents (continued)

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

The assessment of whether 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.

1.23 Accounting by principals and agents (continued)

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.

1.24 Comparative figures

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

1.25 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).

1.26 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).

1.27 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).

Accounting Policies

1.28 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.29 Internal reserves

Self-insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (adapt to specific circumstances). The balance of the Self-Insurance Reserve is determined based on 5% of the insurance risk carried by the municipality (state basis of determining balance of self-insurance reserve) and past claims history in terms of Council Resolution and is reinstated or increased by a transfer from the accumulated surplus/(deficit). The balance of the self-insurance fund is invested in short-term cash investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between premiums charged against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

Premiums are calculated on past claims experienced and are charged to the various Clusters.

The balance of the self-insurance fund is fully cash backed and is invested in fixed and negotiable deposits.

1.30 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.

1.30 Segment information (continued)

Measurement

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

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

1.31 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 cash basis and presented by economic classification linked to performance outcome objectives.

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

The 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.

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

1.32 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.

Accounting Policies

1.32 Related parties (continued)

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.

1.33 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.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	83 060	83 060
Bank and call accounts	300 566 753	241 452 297
Short-term investments	201 327 068	212 884 863
	501 976 881	**454 420 220**

The municipality had the following bank accounts, which has been reported as bank and call accounts:

Account number / description	Bank statement balances		Cash book balances	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
ABSA Bank - Current Account (Primary Bank Account) - 4071756088	30 187 075	38 224 114	22 572 082	27 066 832
ABSA Bank - General Call Account - 9207051716	132 300 794	74 018 608	132 526 010	73 882 395
ABSA Bank - Housing Grants Call Account - 9207052314	42 773 002	43 677 072	42 791 535	43 648 891
ABSA Bank - Housing Grants Call Account - 9207054081	44 055 333	42 593 409	43 969 202	42 458 291
ABSA Bank - Self-Insurance Fund Call Account - 9251267674	14 485 914	14 719 647	14 450 127	14 704 084
ABSA Bank - Housing Operating Call Account - 9274469611	42 531 921	38 934 130	42 549 013	38 900 875
ABSA Bank - Housing Capacity Fund Call Account - 9285122301	1 710 435	793 581	1 708 789	790 929
Total	**308 044 474**	**252 960 561**	**300 566 758**	**241 452 297**

Differences between the bank statement and cash book are as follows:

Outstanding cheques as at 30 June 2022, not cleared from the bank

Outstanding deposits as at 30 June 2022, not cleared from the bank.

Guarantee Held on Primary Account

The Municipality has a guarantee of R120 000 held in favour of The South African Post Office.

Short Term Investments:

The municipality invests in short term investment accounts, a summary of cash book balances have been indicated below:

Summary of cash book balances on investment accounts:

ABSA	-	70 933 014
First National Bank	-	20 332 164
Nedbank	100 665 425	70 998 795
Standard Bank	100 661 644	50 620 890
	201 327 069	**212 884 863**

3. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	86 363 377	-	86 363 377	81 904 838	-	81 904 838

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	81 904 838	4 458 539	86 363 377

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	79 905 858	1 998 980	81 904 838

Investment property in the process of being constructed or developed

There is no investment property in the process of being constructed or developed.

3. Investment property (continued)

Investment properties have been valued in accordance with the municipal valuation roll and have been adjusted to take into account current markets conditions, and other special assumptions depending on the catergories of property,

The last effective date of the fair value adjustment was June 2022. The valuations were performed by a Professional Valuer. The valuation was based on the estimated amount for which an asset should exchange on the date of evalution between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The municipal valuer has extensive experience in the location and catergory of investment property valued with the necessary qualifications.

Notes to the Annual Financial Statements

Figures in Rand

4. 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	513 415 189	-	513 415 189	519 965 969	-	519 965 969
Buildings	123 934 905	(85 841 897)	38 093 008	123 240 851	(84 870 042)	38 370 809
Infrastructure: Stormwater	194 826 048	(45 828 196)	148 997 852	189 866 422	(43 690 191)	146 176 231
Infrastructure: Electricity	396 110 165	(168 698 841)	227 411 324	386 623 442	(163 105 795)	223 517 647
Infrastructure: Solid waste	69 177 249	(33 746 467)	35 430 782	56 350 392	(30 375 521)	25 974 871
Infrastructure: Roads	1 858 879 003	(1 224 342 033)	634 536 970	1 820 034 621	(1 178 801 560)	641 233 061
Infrastructure: Street Furniture	8 955 702	(7 859 877)	1 095 825	9 004 977	(7 645 651)	1 359 326
Community	508 532 584	(255 252 427)	253 280 157	474 424 419	(235 010 979)	239 413 440
Motor vehicles	103 213 405	(61 149 731)	42 063 674	95 752 870	(60 935 604)	34 817 266
Plant and machinery	23 028 710	(14 156 332)	8 872 378	21 774 180	(13 423 572)	8 350 608
Furniture and office equipment	18 653 201	(13 021 496)	5 631 705	19 087 983	(12 563 809)	6 524 174
Computer equipment	22 924 747	(14 977 245)	7 947 502	21 536 644	(13 767 748)	7 768 896
Total	**3 841 650 908**	**(1 924 874 542)**	**1 916 776 366**	**3 737 662 770**	**(1 844 190 472)**	**1 893 472 298**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Decommissioning restoration	Depreciation	Impairment loss	Total
Land	519 965 969	-	(6 550 780)	-	-	-	-	-	513 415 189
Buildings	38 370 809	694 054	816	394 167	(394 167)	-	(972 671)	-	38 093 008
Infrastructure: Stormwater	146 176 231	4 959 627	2 642	6 851 064	(6 851 064)	-	(2 140 648)	-	148 997 852
Infrastructure: Electricity	223 517 647	9 670 162	(99 198)	19 952 797	(19 952 797)	-	(7 050 684)	1 373 397	227 411 324
Infrastructure: Solid waste	25 974 871	3 483 001	-	3 483 000	(3 483 000)	9 343 857	(3 370 947)	-	35 430 782
Infrastructure: Roads	641 233 061	38 844 382	-	54 244 519	(54 244 519)	-	(44 221 358)	(1 319 115)	634 536 970
Infrastructure: Street Furniture	1 359 326	15 426	(2 647)	-	-	-	(276 280)	-	1 095 825
Motor vehicles	34 817 266	10 955 056	(838 577)	-	-	-	(2 870 071)	-	42 063 674
Community	239 413 440	35 005 373	(136 905)	62 437 476	(62 437 476)	-	(13 601 564)	(7 400 187)	253 280 157
Plant and machinery	8 350 608	1 916 496	(74 618)	-	-	-	(1 320 108)	-	8 872 378
Furniture and office equipment	6 524 174	383 796	(178 647)	14 505	-	-	(1 112 123)	-	5 631 705
Computer equipment	7 768 896	1 827 813	(106 424)	-	-	-	(1 542 783)	-	7 947 502
	1 893 472 298	**107 755 186**	**(7 984 338)**	**147 377 528**	**(147 363 023)**	**9 343 857**	**(78 479 237)**	**(7 345 905)**	**1 916 776 366**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Total
Land	519 968 804	-	(3 459 035)	3 456 200	-	-	519 965 969
Buildings	31 141 784	7 994 784	-	13 911 596	(13 911 596)	(765 759)	38 370 809
Infrastructure: Stormwater	140 667 608	7 535 580	-	15 910 939	(15 910 939)	(2 026 957)	146 176 231
Plant and machinery	5 486 035	4 304 338	(275 220)	-	-	(1 164 545)	8 350 608
Furniture and office equipment	7 815 311	523 694	(139 740)	4 510	-	(1 679 601)	6 524 174
Motor vehicles	37 495 058	803 391	(279 051)	-	-	(3 202 132)	34 817 266
IT equipment	9 724 647	720 463	(458 839)	-	-	(2 217 375)	7 768 896
Infrastructure: Solid waste	29 345 818	-	-	-	-	(3 370 947)	25 974 871
Infrastructure: Electricity	211 402 659	19 030 079	(38 690)	5 729 773	(5 729 773)	(6 876 401)	223 517 647
Community	231 311 041	17 069 657	(170 440)	13 944 365	(13 944 365)	(8 796 818)	239 413 440
Infrastructure: Roads	670 961 647	31 106 073	(228 633)	42 682 184	(42 682 184)	(60 606 026)	641 233 061
Infrastructure: Street Furniture	1 562 495	36 229	(6 952)	-	-	(232 446)	1 359 326
	1 896 882 907	**89 124 288**	**(5 056 600)**	**95 639 567**	**(92 178 857)**	**(90 939 007)**	**1 893 472 298**

Pledged as security

The Municipality have no assets pledged as security.

Donations

Land	-	3 460 710
Furniture and fixtures	14 505	-
	14 505	**3 460 710**

The Municipality received donations in a form of furniture from Department of Art and Culture of an amount of R14 505.

Leased Assets

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

4. Property, plant and equipment (continued)

Included in the Plant and Machinery is the lease asset in a form of Two Way Radio communication asset amounting to R2 383 932.

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	34 817 563	47 275 557	-	82 093 120
Additions/capital expenditure	56 587 399	34 892 653	694 053	92 174 105
Impairment of assets	(1 319 115)	(864 228)	-	(2 183 343)
Transferred to completed items	(84 531 380)	(62 437 476)	(394 167)	(147 363 023)
	5 554 467	**18 866 506**	**299 886**	**24 720 859**

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	42 168 647	44 314 204	6 718 985	93 201 836
Additions/capital expenditure	56 971 812	16 905 718	7 192 611	81 070 141
Transferred to completed items	(64 322 896)	(13 944 365)	(13 911 596)	(92 178 857)
	34 817 563	**47 275 557**	**-**	**82 093 120**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Labour costs (Amount paid to employees)	32 376 964	29 250 748
Contracted services (Amount paid to suppliers)	29 816 644	19 784 870
Materials	16 112 817	12 134 070
Fuel and Oil	3 062 787	3 348 137
	81 369 212	**64 517 825**

4. Property, plant and equipment (continued)

Repairs and Maintenance on Property Plant and Equipment is detaild as follows;

Amount paid to employees R32 376 964 (2021: R29 25 0748, is included in the Employee related cost (Note 28) in the Statement of Financial Performance.

Amount paid to suppliers R29 816 644 (2021: R19 784 870), is included in the contracted services (Note 40) in the Statement of Financial Performance.

Materials amounting to R16 112 817 (2021: R12 134 070), is included in the inventory consumed in the Statement of Financial Performance.

Fuel and Oil amounting to R3 062 787 (2021: R3 348 137) is included in the contracted services (Note 40) in the Statement of Financial Performance.

Capital projects that have been significantly delayed

Construction work in progress has been included in the above mentioned property, plant and equipment, based on the nature of the project being constructed. The following projects have been identified as significantly delayed:

Construction of Ezakheni Sport Complex

Due to the poor performance of the various appointed contractors, this project had incurred delays. The last appointed contractor went into a liquidation and as such there were on going court proceedings. The Municipality then took a calculated decision to withdraw itself from the liquidation proceedings. Currently the Municipality is looking at alternate avenues to fund the project. This will be done in phases as and when the budget is made available.

Emnambithi Indoor Sport Complex

This is a multi year project. The Municipality is implementing this project in phases.Planning and study phase of this project has been completed.

Ladysmith Airport Upgrade

The Municipality will consider funding to complete the project during the next budget and exploring the funding stream to complete the project.

Construction of Circle Road (Ward 10)

The Municipality had no budget to complete this project for 2021/2022 financial year. The project will be completed in 2022/2023 financial year.

Construction of Burford Sports field (Ward 14)

The sportfield was vandalised by the community. The Municipality will consider funding to complete the project during the next budget and exploring the funding stream to complete the project.

The Municipality has tested the impairment for these projects.

Construction of Ezakheni Sport Complex	15 079 162	15 079 162
Emnambithi Indoor Sport Complex	5 115 727	5 115 727
Ladysmith Airport Upgrade	2 017 430	2 017 430
Upgrade of Circle Road Road (Ward 20)	2 513 834	2 513 834
Construction of Burford Sports field (Ward 14)	1 358 825	1 358 825
	26 084 978	**26 084 978**

5. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 541 165	(2 429 109)	1 112 056	3 143 865	(2 399 339)	744 526

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software, other	744 526	556 800	(189 270)	1 112 056

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 034 778	170 987	(461 239)	744 526

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

6. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	21 558 026	(157 500)	21 400 526	21 558 026	(157 500)	21 400 526

Reconciliation of heritage assets 2022

	Opening balance	Total
Historical buildings	21 400 526	21 400 526

Reconciliation of heritage assets 2021

	Opening balance	Impairment losses recognised	Total
Historical buildings	21 552 526	(152 000)	21 400 526

7. Inventories

	2022	2021
Materials, supplies and assets held for disposal	1 396 329	2 064 929
Unsold Properties Held for Resale	115 231 435	129 709 339
Consumable stores	25 883 068	17 212 824
	142 510 832	**148 987 092**

8. Receivables from exchange transactions

	2022	2021
Gross balances		
Electricity	75 451 893	66 050 845
Sundry debtors	15 415 088	13 132 089
Refuse	106 971 231	85 904 622
Housing rental	3 473 098	3 138 545
	201 311 310	**168 226 101**
Less: Allowance for impairment		
Electricity	(7 506 541)	(13 867 449)
Sundry debtors	(7 237 938)	(6 578 487)
Refuse	(84 626 565)	(63 079 437)
Housing rental	(3 277 662)	(2 232 639)
	(102 648 706)	**(85 758 012)**
Net balance		
Electricity	67 945 352	52 183 396
Sundry debtors	8 177 150	6 553 602
Refuse	22 344 666	22 825 185
Housing rental	195 436	905 906
	98 662 604	**82 468 089**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

8. Receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	37 036 530	34 358 737
31 - 60 days	6 084 993	6 288 084
61 - 90 days	2 743 509	2 093 845
91 - 120 days	1 134 071	1 546 457
121 - 365 days	5 463 046	7 040 350
> 365 days	22 989 744	14 723 375
	75 451 893	**66 050 848**

Refuse		
Current (0 -30 days)	558 966	440 132
31 - 60 days	2 678 106	2 563 809
61 - 90 days	2 428 640	2 392 652
91 - 120 days	2 368 333	2 334 675
121 - 365 days	17 731 701	14 715 304
> 365 days	81 205 485	63 458 050
	106 971 231	**85 904 622**

Sundry debtors		
Current (0 -30 days)	2 550 322	1 680 638
31 - 60 days	216 413	89 348
61 - 90 days	182 017	366 312
91 - 120 days	1 035 911	72 628
121 - 365 days	385 775	935 462
> 365 days	11 044 649	9 987 700
	15 415 087	**13 132 088**

Housing rental		
Current (0 -30 days)	90 316	37 653
31 - 60 days	40 364	45 869
61 - 90 days	39 584	37 600
91 - 120 days	47 524	37 324
121 - 365 days	325 311	287 865
> 365 days	2 929 997	2 692 232
	3 473 096	**3 138 543**

9. Receivables from non-exchange transactions

Gross Debtors		
Fines	20 344 610	19 043 505
Property Rates	526 139 050	469 135 530
	546 483 660	**488 179 035**

Impairment

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

9. Receivables from non-exchange transactions (continued)

Traffic fine impairment	(19 247 518)	(17 315 135)
Property Rates impairment	(295 844 725)	(241 747 042)
	(315 092 243)	**(259 062 177)**

Net Debtors		
Fines	1 097 092	1 728 370
Consumer debtors - Rates	230 294 325	227 388 488
	231 391 417	**229 116 858**

Statutory receivables included in receivables from non-exchange transactions are as follows, on a gross basis:

Traffic fines	20 344 610	19 043 505
Property rates	526 139 050	469 135 530
	546 483 660	**488 179 035**

9. Receivables from non-exchange transactions (continued)

Statutory receivables are accounted for as follows:

Transactions arises from statute

Traffic fines are issued to offenders in terms of the Administrative of Road Traffic Offences (AARTO Act) and Criminal Procedures Act, by the way of notices to offenders which specify the value of the fine that must be paid.

Property rates is charged in terms of the Municipal Property Rates Act.

Determination of transaction amount

Schedule 3 of the AARTO Regulations 2008 for charge codes and destriptions, penalties and their discounts, and demerit points

Interest or other charges levied/charged

No interest is charged on outstanding fines, and any additions are further applied by the court is paid by the offender to the Municipality then paid to the court.

Property rates: Interest is raised on overdue accounts at 10.25% per annuam in accordance with the National Credit Act, in respect of arrears arising after 1 November 2016. Arrear accounts arising before 31 October 2016 is charged interest at a rate of 9% per annuam.

Basis used to access and test whether a statute receivable is impaired

Traffic fines

The Municipality account for traffic fines impairment in accordance with IGRAP1.

The Municipality assessed the average collection rate of the traffic fines over 9 years.

Property rates

The estimate were determined in accordance with the debt impairment policy of the municipality, supplemnented by experience of past practices and statistics in relation to uncollectable debt.

Management considered both individually receivables that may be impaired as well as groups of similar receivables that may be impaired.

The total debts were further separated into groups of similar receivables with similar risk profiles and assessed for impairment.

Statutory receivables impaired

Traffic fines

As of 30 June 2022, traffic fines of R20 344 610 (2021:R19 043 505) were impaired and provided for.

The amount of the provison is R19 247 518 (2021:R17 315 135).

The net balance is R1 097 092 (2021:R1 728 370).

Property rates

As of 30 June 2022, Property rates of R526 139 050 (2021: R469 135 530) were impaired and provided for.

The amount of the provison is R295 844 725 (2021:241 747 042).
.
The net balance is R230 294 325 (2021: R227 388 488).

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

9. Receivables from non-exchange transactions (continued)

Statutory receivables included in receivables from non-exchange transactions above are as follows, net of impairment:

Traffic fines	1 097 092	1 728 370
Property rates	230 294 325	227 388 488
	231 391 417	**229 116 858**

Statutory receivables that are past due and have been impaired and included in receivables from non-exchange transactions:

As of 30 June 2022, the following statutory receivables were considered to be past due and have been impaired. This was determined by taking into account the debt that is outstanding for a period of more than 90 days:

Provision for impairment - Traffic fines	19 247 518	17 315 135
Provision for impairment - Property rates	295 844 725	241 747 042
	315 092 243	**259 062 177**

Summary of aging of debtors

Property Rates

Current (0-30 days)	3 107 883	2 990 133
31-60 days	13 464 274	13 478 451
61-90 days	11 662 958	11 877 669
91-120 days	10 473 189	11 033 210
121-365 days	74 316 658	77 569 833
>365 days	413 114 088	352 186 234
	526 139 050	**469 135 530**

Statutory receivables that are past due and have not been impaired and included in receivables from non-exchange transactions:

As of 30 June 2022, the following statutory receivables were considered to be past due and not impaired. This was determined by taking into account the debt that is outstanding for a period of more than 90 days which have not been subjected to impairment:

Property rates	28 593 753	28 346 253

10. VAT receivable

VAT	21 777 622	10 510 728

Figures in Rand	2022	2021

10. VAT receivable (continued)

2021/2022 VAT 201's were submitted to SARS up until 30 June 2022. VAT is claimed on payment basis.

The amount disclosed in the net VAT on payables and receivables.

Transaction (s) arising from the statute

VAT is levied in terms of Value Added Tax Act 89 of 1991.

Determination of transaction amount

15% of the Vatable/Taxable supply.

Statutory receivables impaired

Carrying amount of the receivable amount disclosed is not impaired.

11. Payables from exchange transactions

	2022	2021
Trade payables	88 228 306	96 712 327
Payments received in advance	42 558 449	49 384 482
Sundry payables	-	465 965
Retention	31 874 259	26 795 897
Unallocated deposits	6 813 329	7 264 940
Salary control payables	3 896 201	4 485 794
Bonus payable	6 620 993	6 235 029
Accrued leave pay	27 564 039	27 489 633
	207 555 576	**218 834 067**

12. Consumer deposits

	2022	2021
Electricity	14 797 158	12 866 834
Refuse	2 892 869	2 787 447
Housing rental	3 422 386	3 272 303
Posters	10 220	10 220
Street closure	3 120	3 500
	21 125 753	**18 940 304**

Interest is not paid on Consumer Deposits.

Guarantees held in lieu of Electricity Deposits totals R 8,532 428 (30 June 2021: R 8,556 428).

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	948 860	416 915
Integrated National Electrification Grant (INEP)	913 074	-
Construction of Animal Pound	35 095	35 095
Department of Human Settlements	41 854 899	43 056 819
Municipal Disaster Relief Grant (MDRG)	1 285 203	-
Housing Accreditation	1 283 512	1 033 362
Eradication of Bucket System	222 269	671 219
	46 542 912	**45 213 410**

14. Finance lease obligation

Minimum lease payments due		
- within one year	1 151 980	1 035 022
- in second to fifth year inclusive	824 514	1 975 721
	1 976 494	3 010 743
less: future finance charges	(125 641)	(298 611)
Present value of minimum lease payments	**1 850 853**	**2 712 132**
Present value of minimum lease payments due		
- in second to fifth year inclusive	1 048 934	1 850 853
- later than five years	801 919	862 051
	1 850 853	**2 712 904**
Non-current liabilities	801 919	1 850 853
Current liabilities	1 048 934	862 051
	1 850 853	**2 712 904**

It is municipality policy to lease certain equipments under finance leases. The Muncipality has entered into a finance lease agreement with Trans Africa International Telecommunications (PTY) Ltd T/A EMCOM for lease of Two Way Radio Communication System.

The lease is valid from 01 March 2021 to 28 February 2024. The Municipality will take ownership of the equipment after 24 February 2024. Installment increase by 11% yearly.

The lease term is 3 years and the average effective borrowing rate was 7.4% (2021: 7.4%).

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

15. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several accredited medical schemes. Upon retirement, an employee may continue membership of a accredited medical scheme. Upon a member's death in service,or death in retirement, the surviving dependants may continue membership of the medical scheme.

Eligible employees will receive a post employment subsidy additional of 50% of the contribution payable should they be a member of a medical scheme, subject to the following conditions

- The total service of at least ten years at retirement.

- Membership of a municipality accredited medical aid scheme for the majority of their total services (i.e more than half of their services by retirement)

Continuation members and their eligible dependents receive either a 50%, 60% or 70% subsidy.

The most recent actuarial valuations of plan asset and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2022 by an independent valuers.

The present value of the defined benefits obligation and the related current cost and past cost, were measured using the Projected Unit Credit Method.

	2022	2021
The principal assumptions used were as follows;		
Discount rate used	11.72%	9.93%
Health care cost inflation rate	8.29%	6.74%
Net discount rate - health care cost inflation	3.17%	2.99%
Maximum subsidy inflation rate	5.84%	4.68%
Net discount rate - maximum subsidy inflation	5.55%	5.02%
Inservice members	304	297
Continuation members	65	69
	369	**366**

	2022	2021
Amount recognised in the Statement of Financial Position are as follows;		
Opening balance	57 028 000	54 913 000
Interest cost	5 534 000	1 625 000
Expected employee benefit payment/current service cost	2 132 000	5 066 000
Actuarial (gain)/loss	(6 179 124)	(2 890 885)
Less: municipal paid benefits	(2 890 876)	(1 685 115)
	55 624 000	**57 028 000**

	2022	2021
Net expense recognised in the Statement of Financial Performance		
Expected employee benefit payments	2 132 000	1 625 000
Interest cost	5 534 000	5 066 000
Acturial (gain) loss	(6 179 123)	(1 685 115)
	1 486 877	**5 005 885**

	2022	2021
Current liabilities	2 584 000	2 884 000
Non current liabilities	53 040 000	54 144 000
	55 624 000	**57 028 000**

15. Employee benefit obligations (continued)

Superannuation funds

The latest statutory valuation of the Superannuation Fund (defined benefit) as at 31 March 2021 concluded that:

The fund's liabilities for service to the valuation date was 102% (2020:86.5%) funded on the discounted cash flow method at the valuation date.

The fund is 101% funded on the "best estimate" funding basis as at the valuation date, and is also fully funded on the financial soundness" basis incorporating the full solvency reserve. At the valuation report, the fund was in a sound financial position.

There was no deficit in respect of active members, A surcharge of 5.2% of pensionable salaries is payable.

Retirement funds

The latest statutory valuation of the Retirement Fund (defined benefits) as at 31 March 2021 reflected;

The funding level of the Pensions Memorandum Account increased over the valuation period from 104.8% to 124.5%. This was mainly due to the release of the Solvency Reserve.

Based on the valuation assumption applied in 2021, the fund was fully funded.

The statutory actuarial valuation carried out on the retirement fund as at 31 March 2021 reflected;

The fund is 101% (2018:96.1%) funded as at the valuation date at the overall level. A recomendation was that, an additional increase is required in respect of pensioners who retired during certain months over the valuation period. The actual increase due to a pensioner depends on the date of retirement. We recommend that those pensions be increased as required by the Act, backdated to 1 July 2021.

At the valuation report, the fund was in a sound financial position.

Pension Funds

The stautory valuation of the Provident Fund was performed as at 31 March 2021.

Assets exceeded the liabilities and reserves at the valuation date. Unallocated assets amounted to 0.6% of the assets after the release from the Risk and Expense Reserve and the Investment Reserve was 7.0% of Member Shares at the valuation date.

Members can elect a rate of contribution of 5%, 7.5% or 9.25% of pensionable salaries.

The default rate of contribution is set at 9.25% (the highest rate). This rate apply to each new employee unless he/she actively chooses to contribute at a lower rate.

The fund is 100.6% (2018:98.4%) funded as at the valuation date.

At the valuation report, the fund was in a sound financial position.

Long Service Awards

The independent valuers carried out a statutory valuation on the Long Service Awards benefits as at 30 June 2022.

Figures in Rand	2022	2021

15. Employee benefit obligations (continued)

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

Carrying value		
Opening balance	15 220 000	14 235 000
Interest cost	1 358 000	1 027 000
Expected employee payment/current service cost	1 542 000	1 450 000
Acturial (gain)/loss	189 628	22 000
Less: municipality paid benefits	(2 117 628)	(1 514 000)
	16 192 000	**15 220 000**

Active members	792	829

Net expense recognised in the statement of financial performance

Current service cost	1 542 000	1 450 000
Interest cost	1 358 000	1 027 000
Actuarial (gain) losses	189 628	22 000
	3 089 628	**2 499 000**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.01 %	9.44 %
Expected rate of return on assets	7.19 %	5.84 %
Expected rate of return on reimbursement rights	3.57 %	3.40 %

Current Liabilities	1 355 000	1 711 000
Non current liabilities	14 837 000	13 509 000
	16 192 000	**15 220 000**

Figures in Rand	2022	2021

16. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	57 705 077	11 882 880	-	69 587 957
Performance Bonus	1 111 331	787 025	(974 657)	923 699
	58 816 408	**12 669 905**	**(974 657)**	**70 511 656**

Reconciliation of provisions - 2021

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	66 258 613	-	(8 553 536)	57 705 077
Performance bonuses	943 064	168 267	-	1 111 331
	67 201 677	**168 267**	**(8 553 536)**	**58 816 408**

	2022	2021
Non-current liabilities	69 587 957	57 705 077
Current liabilities	923 699	1 111 331
	70 511 656	**58 816 408**

Environmental rehabilitaion provison

The provison for rehabilitaion of landfill site relates to the legal obligation to rehabilitate the landfill site used for waste disposal.

The Municipality has two environmental landfill sites, being Ladysmith Waste Disposal Site and Indaka Waste Disposal Site.

The Municipality will incur R57 154 171 to rehabilitate Ladysmith Waste Disposal Site, calculated as at 20 June 2022, (30 June 2021: R52 609 455) to restore the site- at the end of the respective useful life.

The Municipality will incur R12 433 786 to rehabiliatate Indaka Waste Disposal Site, calculated as at 30 June 2022, (30 June 2021: R5 095 622 to restore the site at the end of the respective useful life.

The valuation as at 30 June 2022 was performed by BMK Consulting. BMK Consulting is not affiliated to the Municipality.

Key assumption used;

Discounted amount is R 2 539 023.39, RSA bond rate of 4.40% was used.

Remaining useful lives;

As at 30 June 2022, Ladysmith Waste Disposal Site has a remaining useful life of- 10 years.

As at 30 June 2022, Indaka Waste Disposal Site has a remaining useful life of 10 years.

Performance bonuses

The provision for performance bonuses relates to the constructive obligation on payment of performance bonus for section 57 employees in previous years.

The Municipality has been paying a performance bonus from 5-13% of the total remuneration.

The position for Chief Financial Officer was vacant as at 30 June 2022.

Performance bonuses are paid to the Section 57 employees after an evaluation by the Council.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

17. Long term loans

At amortised cost		
ABSA Bank - Tsakane Electrification	2 149 870	2 812 521
DBSA Bank - Indaka	1 996 687	2 057 373
	4 146 557	**4 869 894**
Total other financial liabilities	**4 146 557**	**4 869 894**

Absa Bank loans bears an interest of 9.10%, and redeemed monthly with interest bearing ending February 2026.

DBSA Bank loan bears an interest of 5% and is redeemed bi-annually with interest ending September 2028.

Non-current liabilities		
At amortised cost	3 365 679	4 187 532
Current liabilities		
At amortised cost	780 878	682 362

18. Housing development fund

Unappropriate surplus	(4 443 200)	(8 040 991)
Loans extinguished by Government on 1 April 1998	47 160 128	47 063 066
	42 716 928	**39 022 075**

The housing development fund is represented by the following assets and liabilities

Housing selling scheme loans	2 649 865	2 649 865
Bank and cash	40 067 063	36 372 210
Assets	**42 716 928**	**39 022 075**

19. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2022

	Insurance reserve	Total
Opening balance	14 181 448	14 181 448
Interest recognised	602 180	602 180
Utilisation of reserves	(56 785)	(56 785)
	14 726 843	**14 726 843**

19. Accumulated surplus (continued)

Ring-fenced internal funds and reserves within accumulated surplus - 2021

	Insurance reserve	Total
Opening balance	14 206 791	14 206 791
Interest recognised	497 549	497 549
Utilisation of reserves	(522 892)	(522 892)
	14 181 448	**14 181 448**

The Municipality has a Self Insurance Fund to set aside amounts to offset potential losses or claims, which fall under a stop loss determined and calculated by Council's insurance broker based on the insurance risk carried by the Municipality.

The funds are kept in a separate call account and invested on short-term fixed deposits, and the interest earned is credited to the fund.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

20. Property rates

Rates received

Business and Commercial	53 478 702	50 862 956
Agricultural	4 868 092	4 814 173
Industrial	3 337 605	2 796 591
Vacant land	23 631 067	22 656 247
State owned properties	47 579 923	45 767 118
Residential	84 091 338	82 384 898
	216 986 727	209 281 983
Property rates - penalties imposed	36 252 541	33 174 372
	253 239 268	**242 456 355**

The following property allocation factors (rate) are applied to the various catergories of property to determine assessment rates less the impermissible valuation allowed:

Valuation Roll Randages		
Residential	0.01344	0.01280
Business and Commercial	0.02355	0.02243
Industrial	0.01515	0.01443
Agricultural	0.00326	0.00311
Vacant Land	0.04847	0.04616
State owned properties	0.02964	0.02823

Valuation Roll Market Values	**R'000**	**R'000**
Residential	9 659 790	9 624 062
Industrial/Commercial/Business	2 470 025	2 452 473
Agricultural	1 548 248	1 568 707
Public Service Infrastructure	18 643	13 039
Vacant Land	484 733	490 437
Muncipal Land	640 935	661 130
State	1 609 856	1 609 856
Non Profit Organisation	101 692	101 692
Place of Worship/Religious	166 205	163 436
Municipal Vacant Land	2 168	2 168
Public Open Space	3 230	3 230
Other	102 091	75 311
	16 807 616	**16 765 541**

Basis of Valuation:

Valuations on land and buildings are performed every five 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. One year extention was approved by the MEC.

Supplementary Valuation rolls have been received for 2021/2022 financial year.

Impermissable rebates are applied to residential properties valued less than or equal to R100 000 on market values.

Rates are levied on an annual basis with the final date for payment being Sunday, 31 July 2022 . Interest is raised on overdue accounts at 10.25 % per annum in accordance with the National Credit Act, in respect of arrears accounts arising after 1 November 2016. Arrears accounts arising before 31 October 2016 is charged interest at a rate of 9% per annum.

The new general valuation will be implemented on 01 July 2023.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

21. Service charges

Sale of electricity	427 432 460	379 681 076
Solid waste	29 307 501	28 258 313
	456 739 961	**407 939 389**

22. Interest received - receivables from exchange transactions

Interest - Waste Management Receivables	6 727 588	6 787 123
Interest - Electricity Receivables	2 354 624	2 556 572
Interest - Housing Receivables	10 656	9 793
	9 092 868	**9 353 488**

23. Investment revenue

Interest revenue		
Interest received - Primary and Call accounts	10 704 726	6 883 030
Interest received - Investments	7 817 319	6 995 266
	18 522 045	**13 878 296**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

24. Government grants & subsidies

Operating grants		
Equitable share	258 163 000	299 312 000
Local Government Sectoral Education Authority (LGSETA)	531 122	94 000
Provincialisation of Libraries	5 610 000	5 427 000
Expanded Public Works Programme (EPWP)	4 143 000	4 642 000
Infrastructure Skills Development Grant	3 500 000	3 458 000
Financial Management Grant (FMG)	1 950 000	2 000 000
Waste Recycling Grant	-	92 079
Museum Subsidy	225 000	213 002
Housing Accreditation	1 554 641	1 054 272
Building Plans Information Management System	-	300 000
Recapitalisation of Libraries	1 701 000	1 589 000
	277 377 763	**318 181 353**
Capital grants		
Municipal Disaster Relief Grant	30 651 798	930 672
Sports Facilities Grant	20 000 000	-
Eradication of Bucket System Grant	448 950	-
Construction of a Satellite Fire Station for Indaka	-	5 490 373
Municipal Infrastructure Grant (MIG)	69 629 055	67 604 817
Construction of an Animal Pound	-	2 005 905
	120 729 803	**76 031 767**
	398 107 566	**394 213 120**

Equitable Share

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

All registered indigents receive a monthly subsidy in accordance with the Municipality's approved Indigent Policy.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	416 915	7 499 732
Current-year receipts	70 161 000	60 522 000
Conditions met - transferred to revenue	(69 629 055)	(67 604 817)
	948 860	**416 915**

Conditions still to be met - remain liabilities (see note 13).

This grant is utilised to construct roads and bridges, sportsfields, community halls and streetlighting as part of the upgrading of informal settlement areas. No funds were withheld.

Municipal Systems Improvement Grant

Current-year receipts	-	153 607
Funds not approved for rollover - returned to National Treasury	-	(153 607)
	-	**-**

Conditions met - (see note 13).

This grant is utilised to assist the Municipality in improving financial systems and data cleansing in terms of enhancing Revenue Collection.

Figures in Rand	2022	2021

24. Government grants & subsidies (continued)

Integrated National Electricity Programme Grant (INEP)

Balance unspent at beginning of year	-	10 495 022
Current-year receipts	17 100 000	4 000 000
Conditions met - transferred to revenue	(16 186 926)	(14 495 022)
	913 074	-

Conditions still to be met - remain liabilities (see note 13).

This grant is utilised for electricity connections to households in various areas, serviced by Eskom, within the Municipal jurisdiction. The Municipality is acting as an agent in terms of the principal agent arrangement on behalf of ESKOM, therefore the expenditure is incurred directly against the liability. No funds were withheld.

Museum subsidy

Current-year receipts	225 000	213 002
Conditions met - transferred to revenue	(225 000)	(213 002)
	-	-

Conditions met (see note 13).

This grant is utilised to subsidise expenses incurred solely for the Museums. No funds have been withheld.

Financial Management Grant (FMG)

Current-year receipts	1 950 000	2 000 000
Conditions met - transferred to revenue	(1 950 000)	(2 000 000)
	-	-

Conditions met - (see note 13).

This grant is utilised for Interns' salaries to advance the implementation of the MFMA, training of officials to meet the minimum competency requirements, and for Asset Management and Financial System enhancements and training. No funds have been withheld.

Expanded Public Works Programme Grant (EPWP)

Current-year receipts	4 143 000	4 642 000
Conditions met - transferred to revenue	(4 143 000)	(4 642 000)
	-	-

Conditions met - (see note 13).

The Expanded Public Works Programme is a government programme aimed at the alleviation of poverty and unemployment. This programme ensures the full engagement on Labour Intensive Methods of Construction to workers for skills development. No funds have been withheld.

Provincialisation of Libraries

Current-year receipts	5 610 000	5 427 000
Conditions met - transferred to revenue	(5 610 000)	(5 427 000)
	-	-

Conditions met - (see note 13).

Figures in Rand	2022	2021

24. Government grants & subsidies (continued)

This grant is utilised to subsidise expenditure and upgrading of Libraries. No funds have been withheld.

Recapitalisation of Libraries

Current-year receipts	1 701 000	1 589 000
Conditions met - transferred to revenue	(1 701 000)	(1 589 000)
	-	-

Conditions met - (see note 13).

This grant is utilised for the remuneration of Cyber Cadets in Libraries. No funds have been withheld.

Sports Facilities Grant

Current-year receipts	20 000 000	-
Conditions met - transferred to revenue	(20 000 000)	-
	-	-

Conditions met - (see note 13).

This grant is utilised in the upgrading and maintaining of sports facilities. No funds have been withheld.

Building Plans Information Management System

Balance unspent at beginning of year	-	300 000
Conditions met - transferred to revenue	-	(300 000)
	-	-

Conditions met - (see note 13).

This grant is utilised for assisting in the upgrading Information Management Systems for Building Plans. No funds have been withheld.

Infrastructure Skills Development Grant

Current-year receipts	3 500 000	3 458 000
Conditions met - transferred to revenue	(3 500 000)	(3 458 000)
	-	-

Conditions met - (see note 13).

This grant is utilised for the skilling of Interns in the areas of Engineering and Town Planning. No funds have been withheld.

Construction of an Animal Pound

Balance unspent at beginning of year	35 095	2 041 000
Conditions met - transferred to revenue	-	(2 005 905)
	35 095	**35 095**

Conditions still to be met - see liabilities (see note 13).

This grant is utilised for the Construction of an Animal Pound. No funds have been withheld.

Department of Human Settlements

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

24. Government grants & subsidies (continued)

Balance unspent at beginning of year	43 056 819	37 890 618
Current-year receipts	33 049 451	40 972 075
Conditions met - transferred to revenue	(34 251 371)	(35 805 874)
	41 854 899	**43 056 819**

Conditions still to be met - remain liabilities (see note 13).

This grant is for Construction of Low cost houses and tittle deeds. No funds were withheld

Municipal Disaster Relief Grant (MDRG)

Current-year receipts	31 937 393	930 672
Conditions met - transferred to revenue	(30 651 798)	(930 672)
	1 285 595	**-**

Conditions still to be met - remain liabilities (see note 13).

This grant is for rehabilitation of infrastructure damaged due to a disaster occured.No funds were withheld.

Waste Recycling Plant / Logistics Hub

Current-year receipts	-	92 079
Conditions met - transferred to revenue	-	(92 079)
	-	**-**

Conditions met - (see note 13).

This grant is for Establishment of a Waste Recycling Plant in the Municipal area..

Housing Accreditation

Balance unspent at beginning of year	1 033 362	819 193
Current-year receipts	1 804 790	1 268 441
Conditions met - transferred to revenue	(1 554 640)	(1 054 272)
	1 283 512	**1 033 362**

Conditions still to be met - remain liabilities (see note 13).

This grant is utilised to capacitate the Municipality in the construction of houses as part of the upgrading of informal settlement areas.

Eradication of Bucket System

Balance unspent at beginning of year	671 219	671 219
Conditions met - transferred to revenue	(448 950)	-
	222 269	**671 219**

Conditions still to be met - remain liabilities (see note 13).

This grant was allocated to the previous Indaka Local Municipality.

Construction of a Satellite Fire Station for Indaka

Balance unspent at beginning of year	-	5 490 373

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

24. Government grants & subsidies (continued)

Conditions met - transferred to revenue	-	(5 490 373)
	-	-

Conditions met - (see note 13).

This grant is utilised for the construction of a Satelite Fire Station and Surrounding areas.

Local Government Sector Education and Training Authority

Balance unspent at beginning of year	-	94 000
Current-year receipts	531 121	-
Conditions met - transferred to revenue	(531 121)	(94 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

This grant is utilised for learners, in terms of workplace based skills development, in scarce and critical skills areas.

25. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	1 643 185	2 040 398

26. Fines, Penalties and Forfeits

Overdue Books Fines	2 534	1 968
Pound Fees Fines	5 861	30 653
Municipal Traffic Fines	5 897 591	6 629 750
Retentions Forfeits	-	1 956 633
	5 905 986	**8 619 004**

27. Agency services

Vehicle Registration	3 354 239	2 831 162

The Afred Duma Local Municipality entered into an agreement with the KZN Department of Transport, to collect process and collect driver licenses on behalf of the Department. The municipality act as an agent to this transaction in accordance with GRAP 109, Principal agent arrangements.

A fee of 8.62% of the total revenue collected is payable to the Municipality by deducting the fee amount from the funds collected on a daily basis. R79 is paid over for drivers licence card manufactured.

28. Licences and permits

Business Licences	80 360	64 378
Motor vehicle licences	48 675	8 654
Learners licences	689 769	642 929
Drivers licences	1 956 302	1 679 379
	2 775 106	**2 395 340**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

29. Lease rentals on operating lease

Plant and equipment		
Contractual amounts	1 697 703	1 721 011
Lease rentals on operating lease - Other		
Contractual amounts	36 439	36 063
	1 734 142	**1 757 074**

Minimum Lease Due		
Within one year	329 860	1 649 304
In a second to fifth year	-	329 860
	329 860	**1 979 164**

The Municipality entered into a lease agreement with Databox Technologies cc to lease the photocopier machine. The commence of the lease was 30 May 2019 and expires 30 May 2022. The contract was extended on a month to month basis. Supply Chain Management processes are ongoing.

30. Operational Revenue

Admin handling fees	-	516
Transactional handling fees	129 346	120 460
Discount and Early settlements	6 325	-
Incidental cash surpluses	4 903 471	694 473
Staff recoveries	32 454	84 328
Insurance refund	272 297	667 910
Sale of property	65 131	288 111
Skills Development Refunds	-	132 739
Other income	2 478 696	1 002 938
Registration fees	2 496	13 653
	7 890 216	**3 005 128**

31. Fair value adjustments

Investment property (Fair value model)	4 458 539	1 998 980

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

32. Employee related costs

Basic	235 822 560	246 445 639
Bonus	17 349 422	348 422
Medical aid - company contributions	10 043 325	9 225 901
UIF	1 930 004	1 412 673
Post retirement medical aid contributions	7 666 425	6 671 306
Leave pay contributions	4 669 803	5 151 536
Overtime payments	3 537 593	4 663 001
Long-service awards	2 821 243	3 275 997
Car allowance	19 837 633	19 640 831
Housing benefits and allowances	943 080	1 109 483
Group life contributions	50 781	49 324
Standby allowances	5 208 675	4 257 337
Bargaining council contributions	111 465	572 176
Cell phone allowances	63 459	135 966
Pension contributions	33 042 576	31 988 151
	343 098 044	**334 947 743**

Remuneration of Municipal Manager

Annual Remuneration	1 427 312	1 427 816
Car Allowance	240 000	240 000
Performance Bonuses	284 905	-
Contributions to UIF, Medical and Pension Funds	31 574	30 757
	1 983 791	**1 698 573**

Remuneration of Chief Financial Officer

Annual Remuneration	-	494 030
Car Allowance	-	100 000
Performance Bonuses	159 102	-
Contributions to UIF, Medical and Pension Funds	-	744
Acting Allowance	149 883	-
	308 985	**594 774**

Remuneration of Executive Director: Corporate Services

Annual Remuneration	1 174 100	1 174 100
Car Allowance	240 000	240 000
Performance Bonuses	255 515	-
Contributions to UIF, Medical and Pension Funds	2 097	1 785
Housing Allowance	11 574	11 574
	1 683 286	**1 427 459**

Remuneration of Executive Director: Public Safety and Disaster Management

Annual Remuneration	1 234 100	1 234 100
Car Allowance	180 000	180 000
Performance Bonuses	285 664	-
Contributions to UIF, Medical and Pension Funds	2 097	1 785
Housing Allowance	11 574	11 574
	1 713 435	**1 427 459**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

32. Employee related costs (continued)

Remuneration of Executive Director: Development, Planning and Human Settements

Annual Remuneration	1 204 572	1 205 069
Car Allowance	192 000	192 000
Performance Bonuses	235 388	-
Contributions to UIF, Medical and Pension Funds	31 199	30 390
	1 663 159	**1 427 459**

Remuneration of Executive Director: Technical and Infrastructure Services

Annual Remuneration	1 127 738	1 127 738
Car Allowance	144 000	144 000
Performance Bonuses	166 013	155 721
Contributions to UIF, Medical and Pension Funds	156 033	-
	1 593 784	**1 427 459**

Remuneration of Executive Director: Community Services

Annual Remuneration	1 267 151	1 268 018
Car Allowance	120 000	120 000
Performance Bonuses	159 067	-
Contributions to UIF, Medical and Pension Funds	40 621	39 441
	1 586 839	**1 427 459**

In-kind benefits (Provision of Security Services)

The Municipal Manager had (six) bodyguards for the period July 2021 until January 2022. The Municipal Manager had ten (10) bodyguards for the period February 2022 until June 2022.The 2021/2022 financial year expenditure amounted to R2 647 591.

The Executive Director: Public Safety and Disater Management had three (3) bodyguards for the period July 2021 until January 2022. The Executive Director: Public Safety and Emergency Services had two (2) bodyguards for the period February 2022 until June 2022. The 2021/2022 financial year expenditure amounted to R829 055.

The Executive Director: Technical and Infrastructure Services had three (3) bodyguards for the period July 2021 until June 2022. The 2021/2022 financial year expenditure amounted to R915 228.

The Executive Director: Development, Planning and Settlement Services had three (3) bodyguards for the period July 2021 until June 2022. The 2021/2022 financial year expenditure amounted to R915 228.

The Executive Director: Coporate Services had three (3) bodyguards for the period July 2021 until June 2022. The 2021/2022 financial year expenditure amounted to R915 228.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

33. Remuneration of councillors

Mayor	903 407	935 385
Deputy Mayor	749 404	757 186
Executive Commitee Members	3 243 623	3 066 989
Speaker	769 328	757 186
Councillors	19 842 074	20 198 367
Chief Whip	474 930	712 638
	25 982 766	**26 427 751**

In-kind benefits

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

The Mayor has two full time bodyguards and use of a Council owned vehicle.

The Deputy Mayor has two full time bodyguards and use of Council owned vehicle.

The Speaker has two full time bodyguards and use of a Council owned vehicle.

34. Contracted services

Outsourced Services		
Administrative and Support Staff	1 059 726	918 090
Animal Care	170 410	159 414
Burial Services	196 382	199 759
Business and Advisory	51 323	138 039
Catering Services	315 894	7 709
Professional Staff	824 140	684 566
Consultants and Professional Services		
Business and Advisory	7 190 422	3 239 207
Infrastructure and Planning	595 000	1 832 844
Laboratory Services	-	1 273
Legal Cost	2 845 420	2 700 426
Contractors		
Electrical	1 907 573	3 806 988
Event Promoters	157	-
Gardening Services	224	9 386
Maintenance of Buildings and Facilities	989 693	895 838
Maintenance of Equipment	915 714	1 588 137
Maintenance of Unspecified Assets	32 198 003	12 197 432
Pest Control and Fumigation	17 980	28 680
Traffic and Street Lights	100 103	46 370
Transportation	2 869 686	3 343 056
Safeguard and Security	22 387 055	33 947 823
Sewerage Services	13 055	14 395
Sports and Recreation	3 484 311	955 231
	78 132 271	**66 714 663**

35. Bulk purchases

Electricity - Eskom	332 910 050	275 456 200

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

35. Bulk purchases (continued)

Electricity losses

Units purchased	274 609 836	268 068 057
Units sold	(228 382 519)	(230 717 824)
Total loss	**46 227 317**	**37 350 233**
Comprising of:		
Technical losses	13 593 187	11 258 858
Non-technical losses	32 171 856	20 115 337
Total	**45 765 043**	**31 374 195**
Percentage Loss:		
Total loss	17 %	14 %

36. Finance costs

Non-current borrowings	327 283	260 354
Trade and other payables	-	462 706
Finance leases	172 971	191 155
Interest on Landfil site provision	2 539 023	2 336 552
	3 039 277	**3 250 767**

37. Operational Costs

Advertising	498 046	157 696
Auditors remuneration	4 492 595	4 070 720
Bank charges	509 149	589 781
Commission paid	4 890 114	3 870 090
Discount allowed	1 186 356	3 920 643
Entertainment	35 357	33 965
Insurance	4 068 982	4 053 199
IT expenses	5 401 053	4 875 282
Levies	2 584 405	2 007 902
Fuel and oil	8 484 618	7 068 163
Postage and courier	2 154 424	2 428 200
Printing and stationery	2 152 991	2 035 768
Protective clothing	3 019 055	3 246 698
Subscriptions and membership fees	3 059 900	4 131 967
Telephone and fax	4 496 952	4 171 382
Travel - local	1 241 858	278 242
Utilities	20 637 243	20 854 171
Licence fees	1 468 963	1 844 024
Conference and Seminars	358 470	357 108
Workmans Compensation Fund	1 519 026	1 056 461
	72 259 557	**71 051 462**

38. Depreciation and amortisation

Property, plant and equipment	78 668 506	91 400 247

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

39. Impairment loss

Impairments		
Property, plant and equipment	7 345 904	152 000

40. Transfer and subsidies

Other subsidies		
Payments to Eskom	11 340 778	10 379 409

41. Debt impairment

Debt impairment	73 333 424	15 199 652

Debt Impairment for consumer debtors is R71 401 043 (2021:R12 800 685).

Increase in provision from (2021:R327 505 054 to 2022:R398 493 432). An amount of R 10 586 267 (2021:R44 462 814) bad debt was written off.

Debt impairment for Traffic Fines is R1 932 386, The provision increased from 30 June 2021: R17 315 135 to 30 June 2022:R19 247 518.

42. Public contributions and donations

Public contributions and donations	14 505	3 460 710

2021/2022

Donated furniture for municipal library has been received by the Municipality from the Department of Art and Culture.

2020/2021

Donated land has been received by the Municipality from a private developer.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

43. Cash generated from operations

Surplus	94 849 979	135 188 871
Adjustments for:		
Depreciation and amortisation	78 668 506	91 400 247
Gain/Loss on sale of assets and liabilities	9 802 435	5 599 017
Fair value adjustments	(4 458 539)	(1 998 980)
Impairment deficit	7 345 904	152 000
Debt impairment	73 333 424	15 199 652
Bad debts written off	11 431 693	44 462 814
Contribution to annual bonus payable	385 964	180 155
Actuarial gains/losses	(5 989 495)	(1 663 115)
Contribution to Refuse Site Rehabilitation-Finance Costs	2 539 023	2 336 552
Contribution to employees benefit obligations included in employee	10 566 000	9 168 000
Forfeited deposits recognised to revenue	(3 645 821)	-
Inventory gains/losses or write-downs	12 050 685	-
Donation of land and assets received	(14 505)	(3 460 710)
Contribution to performance bonuses provision	(187 631)	168 262
Contribution to staff leave	74 406	5 151 536
Increase in inventory net realisable value	-	(800 601)
Changes in working capital:		
Inventories	(5 574 424)	3 884 647
Receivables from exchange transactions	(37 749 590)	(31 611 816)
Other receivables from non-exchange transactions	(65 896 121)	(95 542 721)
Provisions	-	(857 754)
Payables from exchange transactions	(11 831 593)	8 683 353
VAT	(11 266 894)	4 914 447
Unspent conditional grants and receipts	1 329 501	(21 264 107)
Consumer deposits	2 185 449	(263 209)
Employee benefits obligation	(5 008 504)	(4 404 885)
Housing operating Fund	3 694 852	2 254 401
Movement - Self insurance fund	269 555	(25 343)
Cash generated from operations	**156 904 259**	**166 850 713**

44. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment-Infrastructure	-	11 293 855
Total capital commitments		
Already contracted for but not provided for	-	11 293 855

This expenditure will be financed from:

Already contracted for but not provided for		
• Government Grants	-	11 293 855

Total commitments

Total commitments		
Authorised capital expenditure	-	11 293 855

The Municipality had no commitments as at 30 June 2022 due to all capital projects for 2021/2022 were completed. Multi year projects are implemented in phases and budgeted each year until projects are completed. No awards (contractual agreements) made before 30 June 2022 for projects to be implemented in 2022/2023 financial year.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

45. Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	889 063	833 503
- in second to fifth year inclusive	2 865 114	2 824 147
- later than five years	3 372 013	3 154 213
	7 126 190	**6 811 863**

Certain of the municipality's property is held to provide a service to the community to assist with local economic and social development. Lease agreements are cancellable if agreed by both parties.

46. Section 45 of Supply Chain Management Regulations - Awards made to close family members of persons in the service of the State

The Municipality conducted business during the financial period with the below mentioned service providers, of which the directors are closely related to a person employed in the service of the State.

Harvey World Travel (Emakozeni) - Spouse employed at Department of Trade and Industry	738 953	129 854
Mivusa Trading (PTY)Ltd - Spouse employed at the Municipality in the Revenue Section. The spouse has no influence in terms of any awards in accordance with the post.	2 873 805	425 895
One Stop Computers - Spouse employed at the Municipality in Revenue Section. The spouse has no influence in terms of any awards in accordance with the post.	5 240 006	907 382
Nsizi Global Industries - Spouse employed at the Municipality in contract Management Section.	128 279	9 180
Munsoft - Spouse employed at the Department of Justice	9 235 217	8 602 761
Dulis Trading - Spouse is an employee of the South African Police Service	26 000	-
Emkhonjana - Spouse is employed at Zululand District Municipality	395 900	14 250
Niphile Consulting Engeneers - Spouse employed at Ethekwini Municipality	36 167 652	5 574 000
Bhatimewu Trading Enterprise - Spouse employed as a nurse with government institution	-	73 793
CYMEX - an employee of the state	2 024 046	-
	56 829 858	**15 737 115**

47. Related parties

Related party transactions

Key Management Personnel and Councillors Remuneration.

Remuneration of Key Management Personnel and Councillors is set out in Note 32 & 33 to the Annual Financial Statements.

48. Change in estimate

Property, plant and equipment

The Municipality has revised the remaining useful livesof assets which had reached the end of their useful lives. based on the asset conditions in terms of GRAP 17 paragraph 56.

The effect of of the revision has decrease a depreciation by R17 764 060

Depreciation	Depreciation per annum before	Depreciation per annum after	Change in depreciation per annum
Electricity	(7 053 436)	7 050 683	(2 753)
Roads	(61 497 499)	44 221 385	(17 276 114)
Street Furniture	204 039	(131 798)	72 241
Storm Water	(2 248 999)	2 140 648	(108 351)
Buildings	(3 755 125)	3 744 407	(10 718)
Recreational Facilities- Parks	9 690 379	(9 523 602)	166 777
Computer Equipment	(1 746 973)	1 556 598	(190 375)
Furniture and Office Equipment	(1 278 308)	1 112 123	(166 185)
Motor Vehicles	(3 061 372)	2 870 070	(191 302)
Plant and Equipment	(1 377 387)	1 320 107	(57 280)
	(72 124 681)	**54 360 621**	**(17 764 060)**

Debt Impairment

The Municipality has revised the debt impairment provison for consumer debtors both exchange and non exchange transactions.

The effect of the revision has increased the provision of R27 065 080.

The effect on the change in useful lives and provision for the debts are as follows;

Debt Impairment Provision	Impairment per annuam before	Impairment per annum after	Change in impaiment per annum
Property Rates	(68 038 499)	54 097 683	(13 940 816)
Electricity	(3 644 790)	(3 694 694)	(7 339 484)
Refuse	(26 444 723)	17 902 269	(8 542 454)
Non Specific	(363 882)	3 069 937	2 706 055
Water	25 771	25 848	51 619
	(98 466 123)	**71 401 043**	**(27 065 080)**

Notes to the Annual Financial Statements

49. Prior Period Adjustments

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Cash and cash equivalents	454 742 913	(322 693)	-	454 420 220
Receivables from exchange transactions	82 937 077	(468 988)	-	82 468 089
Inventories	149 866 599	(879 507)	-	148 987 092
Receivables from non-exchange transactions	231 644 235	(2 527 377)	-	229 116 858
VAT receivable	434 514	10 076 214	-	10 510 728
	919 625 338	**5 877 649**	**-**	**925 502 987**
Non-Current Assets				
Investment property	82 805 540	(900 702)	-	81 904 838
Property, plant and equipment	1 932 475 848	(39 003 550)	-	1 893 472 298
Intangible assets	2 572 910	(1 828 384)	-	744 526
Heritage assets	21 350 526	50 000	-	21 400 526
Non-exchange transactions	1 147	-	-	1 147
	2 039 205 971	**(41 682 636)**	**-**	**1 997 523 335**
Total Assets	**2 958 831 309**	**(35 804 987)**	**-**	**2 923 026 322**
Liabilities				
Current Liabilities				
Consumer deposits	18 940 304	-	-	18 940 304
Long term loans	682 362	-	-	682 362
Provisions	1 111 331	-	-	1 111 331
Payables from exchange transactions	219 498 144	(664 077)	-	218 834 067
Unspent conditional grants and receipts	44 799 145	414 263	-	45 213 408
Finance lease obligation	862 051	-	-	862 051
Employee benefits obligation	4 595 000	-	-	4 595 000
	290 488 337	**(249 814)**	**-**	**290 238 523**
Non-Current Liabilities				
Long term loans	4 187 532	-	-	4 187 532
Provisions	67 721 185	(10 016 108)	-	57 705 077
Finance lease obligation	1 850 853	-	-	1 850 853
Employee benefits obligation	67 652 999	-	-	67 652 999
	141 412 569	**(10 016 108)**	**-**	**131 396 461**
Total Liabilities	**-**	**(10 016 108)**	**-**	**-**
Net Assets				
Reserves				
Housing development fund	39 083 511	(61 436)	-	39 022 075
Accumulated surplus	2 487 846 893	(25 477 630)	-	2 462 369 263
Total Net Assets	**2 526 930 404**	**(25 539 066)**	**-**	**2 501 391 338**

Notes to the Annual Financial Statements

49. Prior Period Adjustments (continued)

49.1 Receivables from exchange transactions

Balance previously reported	82 937 077
Prior period adjustment	(468 988)
	82 468 089

The Municipality made a prior period error to receivables from exchange transactions. This included reclassfication of VAT and interest to be received on debtors from exchange transactions.

49.2 Receivables from non-exchange transactions

Balance previously reported	231 644 235
Prior period adjustment	(2 527 377)
	229 116 858

The Municipality restated trafic fines receivables and impairment as per IGRAP1.

49.3 Inventories

Balance previously reported	149 866 599
Prior period adjustment	(879 507)
	148 987 092

Inventory adjustments were effected in the prior year.Privately owned, subdivision and traferring to land register.

49.4 VAT receivable

Balance previously reported	434 514
Prior period adjustment	10 076 214
	10 510 728

The municipality had revised for debt impairment for traffic fines and consumer debtors. Vat previously discosed was also restated.

49.5 Provision

Balance previously reported	67 721 185
Prior period adjustment	(10 016 108)
	57 705 077

The Municipality previously disclosed a provision of landfill site at a future value instead of present value.

49.6 Property, plant and equipment

Balance previously reported	1 932 475 848
Prior period adjustment	(39 003 550)
	1 893 472 298

The Municipality processed adjustments in accordance with GRAP 19 that relates to the landfill site. In addition, assets were derecognised in accordance with the control of these assets and newly identified assets on the ground were further taken on in the register and recognised.

Notes to the Annual Financial Statements

49. Prior Period Adjustments (continued)

49.7 Intangible assets

Balance previously reported	2 572 910
Prior period adjustment	(1 828 384)
	744 526

Intangible assets were identified for exclusion in the asset register, which were previously disclosed.

49.8 Investment property

Balance previosly reported	82 805 540
Prior period adjustment	(900 702)
	81 904 838

Investment property was reclassified to Prioperty, Plant and Equipment, in accordance with GRAP 17.

49.9 Heritage assets

Balance previously reported	21 350 526
Prior period adjustment	50 000
	21 400 526

Heritage assets restated to recognise additional assets to the asset register.

49.10 Payables from exchange transactions

Balance previously reported	219 498 144
Prior year adjustment	(664 078)
	-
	218 834 066

Prior period adjustments for the accrual of transactions relating to grant accruals were processed. Adjustments were further recognised to correct prior year creditors identified in the current financial year

49.11 Unspent conditional grants and receipts

Balance previously reported	44 799 145
Prior period adjustment	414 263
	45 213 408

The Municipality processed a prior period error on MIG unspend grant previously reported as spent.

49.12 Accumulated surplus

Balance previosly reported	2 487 846 893
Prior period adjustment	(25 477 630)
	2 462 369 263

Adjustments were made to the restatement of trade payables, grant recognised, PPE, Heritage, Intangible,Investment assets, receivables and procision for landfill site.

Notes to the Annual Financial Statements

49. Prior Period Adjustments (continued)

Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	407 934 106	5 283	-	407 939 389
Sale of goods and rendering of services	2 036 215	-	-	2 036 215
Rental of facilities and equipment	2 030 996	9 402	-	2 040 398
Interest received - receivables	9 368 211	(14 723)	-	9 353 488
Agency services	2 831 162	-	-	2 831 162
Licences and permits	2 395 340	-	-	2 395 340
Investment revenue	14 140 533	(262 237)	-	13 878 296
Operational income	3 005 128	-	-	3 005 128
Actuarial gains	1 663 115	-	-	1 663 115
Gain on fair value adjustment	2 018 996	(20 016)	-	1 998 980
Increase in inventory net realisable value	800 601	-	-	800 601
Total revenue from exchange transactions	**448 224 403**	**(282 291)**	**-**	**447 942 112**
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	209 190 099	91 884	-	209 281 983
Property rates - penalties and interest	33 185 911	(11 539)	-	33 174 372
Transfer revenue				
Government grants & subsidies	394 630 035	(416 915)	-	394 213 120
Public contributions and donations	3 460 710	-	-	3 460 710
Fines, Penalties and Forfeits	10 332 856	(1 713 852)	-	8 619 004
Total revenue from non-exchange transactions	**650 799 611**	**(2 050 422)**	**-**	**648 749 189**
Expenditure				
Employee related costs	(334 947 742)	-	-	(334 947 743)
Remuneration of councillors	(26 427 751)	-	-	(26 427 751)
Depreciation and amortisation	(91 854 508)	454 261	-	(91 400 247)
Impairment of cash and non-cash generating assets	(152 000)	-	-	(152 000)
Finance costs	(914 215)	2 336 552	-	(3 250 767)
Debt impairment	(62 817 180)	47 617 528	-	(15 199 652)
Lease rentals on operating lease	(1 757 074)	-	-	(1 757 074)
Bulk purchases	(275 456 200)	-	-	(275 456 200)
Contracted services	(66 946 313)	231 650	-	(66 714 663)
Transfers and subsidies	(10 379 409)	-	-	(10 379 409)
Inventory consumed	(14 708 547)	4 916	-	(14 703 631)
Operational expenditure	(70 689 028)	(362 434)	-	(71 051 462)
Loss on disposal of assets	(4 725 682)	(873 335)	-	(5 599 017)
Bad debts written off	-	(44 462 814)	-	(44 462 814)
Total expenditure	**(961 775 649)**	**273 220**	**-**	**(961 502 430)**
Surplus for the year	**135 188 879**	**-**		**135 188 879**

Notes to the Annual Financial Statements

49. Prior Period Adjustments (continued)

49.13 Service charges

Balance previously reported	407 934 106
Prior period adjustment	5 283
	407 939 389

Prior period billing relating to the accrued revenue for electricity was understated in the prior year, and has been restated.

49.14 Rental of facilities and equipment

Balance previously reported	2 030 996
Prior period adjustment	9 402
	2 040 398

Interest on receivables was reclassified from rental of facilities to interest on receivables from exchange transactions

49.15 Interest received - receivables

Balance previously reported	9 368 211
Prior period adjustment	(14 723)
	9 353 488

Interest earned on receivables were reclassified in accordance with the nature of the originating debt, being property rates and service charges.

Notes to the Annual Financial Statements

49. Prior Period Adjustments (continued)

49.16 Gain on fair value adjustments

Balance previosly reported	2 018 996
Prior period adjustment	(20 016)
	1 998 980

Adjustments were effected to the prior financial year to restate assets, resulting in a decrease in the gain on fair value adjustment.

49.17 Interest received - investment

Balance previously reported	14 140 533
Prior period adjustment	(262 237)
	13 878 296

Interest on investments was recognised incorrectly in the prior financial year.

49.18 Property rates

Balance previously reported	209 190 099
Prior period adjustment	91 884
	209 281 983

Property rates was restated in accordance with Statutory Receivables Standard.

49.19 Property rates - penalties imposed

Balance previously reported	33 185 911
Prior period adjustment	(11 539)
	33 174 372

Interest on Property rates was restated after perfroming an analysis to determine whether penalties imposed were correctly accounted for.

49.20 Government grants & sudsidies

Balance previously reported	394 630 035
Prior period adjustment	(416 915)
	394 213 120

Revenue on MIG Grant was incorrectly recognised in the prior financial years.

49.21 Fines, Penalties and Forfeits

Balance previously reported	10 332 856
Prior period adjustment	(1 713 852)
	8 619 004

Traffic fines and penalties were restated in accordance with the IGRAP1 requirements.

Notes to the Annual Financial Statements

49. Prior Period Adjustments (continued)

49.22 Depreciation and amortisation

Balance previously reported	(91 854 508)
Prior period adjustment	454 261
	(91 400 247)

Depreciation adjustments relates to the prior period adjustments made to the asset register for the year under review.
.

49.23 Finance costs

Balance previously reported	914 214
Prior period adjustment	2 336 553
Other 2	-
	3 250 767

Interest on Landfill site rehabilitation was not accounted for in the previous year, which related to the prior year finance costs. As a result, the finance coss were restated.

49.24 Debt impairment

Balance previously reported	(62 817 180)
Prior period adjustment	47 617 528
	(15 199 652)

Prior period on bad debt written off against the debt impairment.

49.25 Inventory consumed

Balance previously reported	14 708 547
Prior period adjusment	(4 916)
	14 703 631

Restatement was made on inventory consumed. Reversal of transactions previously duplicated.

49.26 Contracted services

Balance previously reported	(66 946 313)
Prior period adjustment	231 650
	(66 714 663)

Contracted services were reclassified from general expenses to enable better presentation to the users of the financial statements and to report based on the nature of the expenditure adequately.

49.27 Loss on disposal of assets

Balance previously reported	(4 725 682)
Prior period adjustment	(873 335)
	(5 599 017)

A review of the asset register indicated required disposal in the prior financial year.

Notes to the Annual Financial Statements

49. Prior Period Adjustments (continued)

49.28 Operational expenditure

Balance previously reported	(70 689 028)
Prior period adjustment	(362 434)
	-
	(71 051 462)

Restatement of operational expenditure was corrected due to errors in duplication of transactions identied.

49.29 Bad debt written off

Balance previously reported	-
Prior period adjustment	(44 462 814)
	(44 462 814)

The Municipality wrote off its consumer debts from the previous financial year.

50. Contingencies

Contingent liabilities

The Municipality is defending a case for damages for allegations of unlawful arrest and defamation. The State Attorney's office is dealing with this matter. Case No 11653/2015	500 000	500 000
The Municipality is defending a case for damages involving a minor falling into a trench. The claim and the matter has not been set down for trial as yet. Case No.9222/2010.	985 000	985 000
The Muncipality is defending a case for outstanding payments to a service provider. The municpality is defending the claim and the case is at discovery stage and awaiting trial. Case No.6040/2015.	1 900 000	1 900 000
The Municipality was defending a case for payment of services rendered and loss of profit. The matter has set down and the case was dismissed. Case No.895/21P.	-	21 427 240
The Municipality is defending a case for outstanding payments relating to the release of retention. The matter is still pending. Case No 491/2018.	219 450	219 450
The Municipality is defending a case for damages for allegations of unlawful arrest. The municipality is defending the matter is on the pleading stage. Case No.60/2021.	200 000	200 000
The Municipality is defending a case for outstanding payments due and payable to a service provider. Defendent has filed a pre- trial Notice. Case No.87872020P.	1 406 030	1 406 030
The Municipality is defending a case for allerged service rendered to have been rendered to the former Indaka Local Municipality which were not paid for. The matter is awaiting trial date.. Case No 13232/17P.	763 780	763 780
The Municipal Councillors Pension Fund (MCPF) is claiming outstnding contributions rules of the fund indicate that the Councillors may not cease to be a member of the fund whilst still a Councillor, and that the Municipality is liable for all payments oustanding to the MCPF. The Municipality is no longer persuing this case.	-	3 313 755
	5 974 260	**30 715 255**

Contingent assets

No contingent assets exist for the period ended 30 June 2022 (2021: R0).

51. Risk management

Financial risk management

Due to the largely non trading nature of the activities and the way in which they are financed, the municipalities are not exposed to the degree of financial risk faced by business entities.

The Municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk,liquidity risk,risk market relating to interest rate risk.

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 monitors on a regular basis.

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

	2022	2021
Borrowings	780 878	682 362
Trade and other payables	207 555 577	218 834 068
Other - Lease obligation	1 048 934	862 051
Consumer deposits	21 125 753	18 940 304

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.

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit without taking exposure to credit without taking account of the value of any collateral obtained.

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

Financial instrument	2022	2021
Cash and cash equivalents	501 976 881	454 420 220
Trade and other receivables	330 054 021	311 584 947

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings does affect the Municipality as the interest is fixed.

Cash and Cash Equivalents	501 976 881	454 420 220

Price risk

Due to a legislation restrictions, the municipality does not trade these investments.

52. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of 2 555 705 450 and that the municipality's total assets exceed its liabilities by 2 598 422 377.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the sound financial management will remain in force for so long as it takes to maintain the solvency of the municipality.

52. Going concern (continued)

Based on the above, the financial statements have been prepared on a going concern as sufficient measures are in place to curb the impact of the pandemic.

Repayments of long-term debt - The Municipality has not defaulted in meeting its obligations to repay its long-term debt, and currently has the same two existing loans.

Grant funding in terms of DoRA - Capital projects as well as operational expenditure are partially funded through gazetted tranfers to the Municipality to ensure continued operations in terms of the budgeted expenditure for the 2022/2023 financial year.

Revenue Enhancement Strategy - The Municipality has implemented a Revenue Enhancement Strategy to ensure all money that is due is collected. It must also be noted that the Municipality has ongoing incentive drives for ratepayers and consumers to improve revenue collection.Further more the Municipality is continuing with the implementation of Credit Control and Legal action to reduce the outstanding debt. The Municipality has also adequately budgeted for the provision for bad debts in the 2022/2023.

Payment of Creditors within thirty (30) days - The Municipality has not defaulted in making creditors payaments timeously, except where there are delays in receiving the necessary documents to process payments and delays are experienced with service providers who are not adhering to disclosing the correct the correct and required information on invoices submitted.

Payment of Bulk Services - The Municipality has not defaulted in paying Eskom for bulk service supplied. All payments are made before the due date.

Investments and Positive Bank Balance - The Municipality has maintained a positive bank balance for a number of years, and surplus funds are invested on a regular basis or transferred to a "Call Account" to maximise interest revenue.

Cash Flow Monitoring - The Municipality prepares monthly cash flow report to monitor the cash resources in terms of revenue collection and payments. These reports are distributed to key managers to monitor the cash flow of the Municipality.

Transactions and events after reporting - Transactions after year end on the general legder wre considered and no negative implications wre identified that could change the going concern assumption. No events were also identified that could change the ongoing concern.

The Municipality;s budget for the 2022/2023 financial year indicates a surplus in terms of cash backed reserves, and budgeted cash flows. Furthermore, Provincial Treasury has confirmed that the Municipality's 2022/2023 budget is funded.

the current ration of the -Municipality is 3.53, which shows that the Municipality can be able to honour its obligations.

% of Unspent Grants Funded is 100%.

Debts to total Assets ration is 14%. This reflects a strong results in terms of all debts covered by total assets, thus the Municipality is Solvent.

Cash and Cash equivalent - The Municipality's cash and cash equivalent is sitting at R501 746 640 as at 30 June 2022.

Taking the above into account, there were no factors identified that would cast significant doubt on the Municipality's ability to continue as a going concern. Therefore, the Annual Financial Statements were on a going concern basis.

53. Accounting by principals and agents

Integrated National Electrification Programme

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

53. Accounting by principals and agents (continued)

Details of the arrangment(s) is|are as follows:

The purpose of the arrangement is to provide electricity to unelectrified urban and rural househlods and installing infills.

The Municipality is also responsible for appointing contractors and consultants to execute the project, to enable Eskom to energise the electrified household.

Significant terms and conditions of the arrangement(s) are as follows;

Manage the elecrtification programmes, design and implementation of the projects

Appoint service providers within the required timeframs as per the agrrement.

Ensure that all the engennering designs and pre-engeneering work is completed.

Ensure that the houses built and occupied before electrification project can commence.

Co-operate with the Department to ensure that technical audit are conducted by availing as built drawings, list of beneficiaries, copies of the certificate and Tender documents and specifications.

Significant risks and mitigation strategies

Inventory risk(s)

Electrification not conducted as per the designs.

The contractor leaving the site before completion.

The use of sub-standards material and employees not paid by the contractor.

Mitigation Strategies

Retention and surety is withheld in each pahse of the installation.

Inventory risks associated is outlined in the award letter.

Department of Energy is monitoring the project in phases.

Project steering committeee had been established to monitor the project.

Entity as agent

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

During the financial year, the Municipality received funds totalling R17 100 000. An amount of R16 216 651 has been utilised in the financial year. See note 13.

Revenue recognised

The Municipality does not receive compensation for the transactions carried out on behalf of the principal, in terms of the arrangement, and hence why no revenue has been recognised in the current and prior financial year.

Liabilities and corresponding rights of reimbursement recognised as assets

No liabilities have been incurred on behalf of Eskom have been recognised by the municipality.

Housing Development Project

53. Accounting by principals and agents (continued)

The municipality is a party to a principal-agent arrangement in terms of the Housing Development Project. The municipality is considered to be an agent in accordance with GRAP 109, with the Provincial Department of Human Settlements being the principal in this arrangement.

Details of the arrangement is as follows:

The purpose of the arrangement is to construct low-cost houses for the identified beneficiaries. The funding is provided by the Provincial Department of Human Settlements.

Significant terms and conditions of the arrangement are as follows:

The municipality to manaage and procure the implementation of the project.

Design the product in consultation with all stakeholders.

Investigate building systems and designs that are acceptable with the community, the municipality and the Department.

Construct the project in accordance with the drawings and specifications within the period of the agreement.

Significant risks have been identified as follows:

Delays in land acquisitions, and funding approval.

Social unrest, Inadequate funding to meet the requirements, and environmental risks.

Mitigation strategies and benefits associated with the relationship are as follows:

Negotiating with land owners prior to the construction.

Ensuring compliance with the agreements to ensure speedy release of the funding.

Constant communication with the community and ensuring public participation.

Be pro-active in the feasibilty study to be aware of the evironmental pre-conditions.

Entity as agent

The Municipality received funds totalling R33 049 451 in addition to the unspent opening balance of R43 056 819. The remaining funds to be spent at end of the financial year is R41 854 899. See note 13.

Revenue recognised

The Municipality does not receive compensation for the transactions carried out on behalf of the principal, in terms of the arrangement, and hence no revenue has been recognised in the current and prior financial year.

Liabilities and correcsponding rights of reimbursement recognised as assets

No liabilities have been incurred on behalf of Human Settlements have been recognised by the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

54. Events after the reporting date

Nature of Event

A notice of Determination of Upper Limits of Salaries, Allowances and Benefits of different members of Municipal Councils Gazeettee was published on the 02 June 2022 and takes effect as from 01 July 2021. The notice sets out the upper limits of councillors salaries and allowances.The Municipality received a letter from the MEC Coporative Governance and Traditional Affairs approving 3% of the councillors upper limits on the 29 July 2022 after the end of the reporting date: 30 June 2022 but before the submision of the Annual Financial Statements: 31 August 2022.

Estimate of Financial effect is R728 160 (2021):R0

55. Unauthorised expenditure

	2022	2021
Opening balance as previously reported	2 026 081	28 669 442
Opening balance as restated	**2 026 081**	**28 669 442**
Add: Expenditure identified - current	20 099 475	2 026 081
Less: Approved/condoned/authorised by council	(2 026 081)	(28 669 442)
Closing balance	**20 099 475**	**2 026 081**

2020/2021 Incidents

The Municipality incurred expenditure of an amount of R2 026 081 for security services and workmans compensation fund penalties. This has been referred for an Investigation in accordance with Section 32 of MFMA. An amount of R2 026 081 has been written off by the Council as irrecoverable. However the write off- took place after year end.

2021/2022 Incidents

The Municipality has incurred unauthorised expenditure amount ot to R20 099 475 which comprises of non cash items;

An amount R2 538 406.27 non cash item due to interest cost on Landfill site rehabilitation as per the engineers report.

An amount of R7 992 062 due to a disposal of land held for sale and provison for long service awards.

An amount of R9 569 006 as a result of a decrease in Net Realisable Value on inventory.

Analysed as follows: non-cash

	2022	2021
Unwinding interest on Landfill site Rehabilition	2 538 406	-
Gains and losses	7 992 062	-
Net realisable value on inventory	9 569 006	-
	20 099 474	**-**

Analysed as follows: cash

	2022	2021
Contracted services	-	1 578 902
General expenditure	-	447 178
	-	**2 026 080**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

56. Fruitless and wasteful expenditure

Opening balance as previously reported	8 365 700	7 920 609
Opening balance as restated	**8 365 700**	**7 920 609**
Add: Expenditure identified - current	553	514 876
Less: Amounts recoverable - current	(66 918)	-
Less: Amounts recoverable - prior period	-	(69 785)
Less: Amount written off - current	(6 818 373)	-
Closing balance	**1 480 962**	**8 365 700**

2019/2020 Incidents

An amount of R7 920 609 relates to expenditure that was made as a results of penalties from Telkom, Eskom, Uthukela invoices and no show expenditure. This was refered for investigation as per Section 32 of MFMA.

2020/2021 Incidents

An amount of R514 876 relate to penalties incurred from Telkom, Eskom, and Department of Labour. Investigations are currently in progress and some have been finalised to recover from relevant individuals after investigations as per Section 32 of MFMA. Eskom has reversed most of these penalties after engagements between the Municipality and Eskom. An amount of R69 785 was previously omitted as recovered during 2020/2021 finnacial year.

2021/2022 Incidents

An amount of R553 relates to the penalties incurred from Eskom and Department of KwaZulu Natal Revenue Services. R108 has been recovered after investigations as per Section 32 of MFMA. An amount of R446 is currently under the investigation. An amount of R514 876 has been written off during 2021/2022 financia year which relate to 2020/2021 financial year. A remainder of R6 303 497 relate to the prior period was also written off. An amount of R66 918 was recovered after investigations.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

57. Irregular expenditure

Opening balance as previously reported	21 054 747	21 003 003
Opening balance as restated	**21 054 747**	**21 003 003**
Add: Irregular Expenditure - current	-	51 744
Less: Amount written off - current	(51 744)	-
Less: Amount written off - prior period	(14 234 003)	-
Closing balance	**6 769 000**	**21 054 747**

Prior year Incidents

An amount of R6 769 000 was incurred by the former Indaka Municipality before a merger occured. An amount of R14 234 003 was incurred from Inkazimulo Consulting.

2020/2021 Incidents

An amount of R51 744 was incurred from the payment made to Alusani Skills and Training Network for training. This amount was reported to the Council and investigated in terms of Section 32 of MFMA. The council resolve to write off this expenditure as irrecoverable.

2021/2022 Incidents

The amount of R14 234 003 has been written off by the Council after investigations as per section 32 of the MFMA. After the council committee investigations, council adopted the council committee recommendation to write-off an amount of 14 234 003 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable

No irregular expenditure incurred for the 2021/2022 financial year.

58. Deviation from supply chain management regulations

Quotations: In terms of regulations 36 of the Municipal Supply Chain Management Regulations any deviations from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. These deviations refer to the instances- as stipulated in the regulations and relates mainly to emergencies and instances where it was impractical to follow SCM processes.

Quotations	28 750	300 588

59. In-kind donations and assistance

Donation received	734 523	3 456 200

The Municipality received donations and assistance such as blankets, food hampers, school uniform, building vouchers, matresses, sanitary pads and matric awards hampers from different donors during floods disaster amount to R720 018 (2021: 3 460 710).

The Municipality received furniture for municipal library from the Department of Art and Culture amount to R14 505.

60. Segment information

General information

Notes to the Annual Financial Statements

60. Segment information (continued)

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. 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 Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout and were sufficiently similar to warrant aggregation.

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
Segment 1	Public Saftey
Segment 2	Town Planning and Local Economic Development
Segment 3	Solid Waste and Cleaning
Segment 4	Public Works and Roads
Segment 5	Community Facilities
Segment 6	Electricity

60. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Community	Electricity	Public Safety	Public Works and Roads	Solid waste and Cleansing	Town planning and LED	Total
	-	-	-	-	-	-	-
Revenue							
Revenue from non-exchange transactions	5 861	15 242 269	5 897 591	-	56 795 856	124 969 846	202 911 423
Revenue from exchange transactions	763 920	428 611 619	6 682 135	-	36 071 903	94 179	472 223 756
Total segment revenue	**769 781**	**443 853 888**	**12 579 726**	**-**	**92 867 759**	**125 064 025**	**675 135 179**
Unallocated - Revenue from non-exchange transactions							454 355 903
Unallocated - Revenue from exchange transactions							29 370 652
Total revenue reconciling items							**483 726 555**
Entity's revenue							**1 158 861 734**
Expenditure							
Employee related costs	(31 145 733)	(38 212 292)	(35 502 239)	(8 886 398)	(22 703 365)	(30 376 894)	(166 826 921)
Contracted services	(648 122)	(12 570 496)	(6 474 877)	-	(1 064 692)	(27 027 837)	(47 786 024)
Depreciation and amortisation	(17 339 335)	(7 050 684)	735	-	-	(47 592 305)	(71 981 589)
Bulk purchases	-	(332 910 050)	-	-	-	-	(332 910 050)
Inventory consumed	(1 071 121)	(5 316 560)	(2 658 547)	(75 979)	(661 095)	(2 674 723)	(12 458 025)
Transfers and subsidies	-	(11 340 778)	-	-	-	-	(11 340 778)
Operating leases	(117 461)	(53 986)	(117 461)	-	-	(53 986)	(342 894)
Operational cost	(4 405 083)	(16 402 931)	(9 912 760)	(288 096)	(661 125)	(1 445 479)	(33 115 474)
Interest;dividends and Rent on land	-	(327 283)	-	-	-	-	(327 283)
Irrecovarable debts Written Off	-	(1 215 240)	-	-	(2 603 037)	-	(3 818 277)
Impairment Loss	-	3 694 694	-	-	(17 928 116)	-	(14 233 422)
Total segment expenditure	**(54 726 855)**	**(421 705 606)**	**(54 665 149)**	**(9 250 473)**	**(45 621 430)**	**(109 171 224)**	**(695 140 737)**
							-

Notes to the Annual Financial Statements

Figures in Rand

	Community	Electricity	Public Safety	Public Works and Roads	Solid waste and Cleansing	Town planning and LED	Total
60. Segment information (continued)							
Unallocated - Contracted services							(30 346 245)
Unallocated - Employee related cost							(176 271 113)
Unallocated - Interest;Dividends and Rent on Land							(2 711 994)
Unallocated - Inventory consumed							(872 223)
Unallocated - Operating leases							(1 391 250)
Unallocated -Operational cost							(39 144 081)
Unallocated -Remuneration of Councillors							(25 982 767)
Unallocated -Depreciation and amortisation							(6 686 917)
Unallocated -Debt impairment and impairment on assets							(66 445 906)
Unallocated Fair value Adjustment							10 448 034
Unallocated - Disposal of fixed and Intangible Assets							(9 802 435)
Unallocated - Inventory Loss							(12 050 685)
Unallocated - Irrecoverable Debts Written Off							(7 613 415)
Entity's surplus (deficit) for the period							**94 849 998**
Assets							
Segment assets acquisitions	(35 116 614)	(9 733 885)	(12 245 558)	(43 804 008)	(3 483 000)	(441 546)	(104 824 611)
Unallocated - assets acquisitions							(3 487 375)
Total assets as per Statement of financial Position							**(108 311 986)**

2021

	Town Planning and Local Economic Development	Solid Waste and Cleasing	Public Works and Roads	Community Facilities	Public Safety	Electricity	Total

Notes to the Annual Financial Statements

Figures in Rand

60. Segment information (continued)

Revenue							
Revenue from non-exchange transactions	74 295 530	65 848 640	-	2 036 558	12 120 123	18 423 600	172 724 451
Revenue from exchange transactions	282 248	35 144 087	-	613 141	6 045 934	381 924 249	424 009 659
Total segment revenue	**74 577 778**	**100 992 727**	**-**	**2 649 699**	**18 166 057**	**400 347 849**	**596 734 110**
Unallocated - Revenue from non-exchange transactions							476 024 738
Unallocated - Revenue from exchange transactions							19 469 760
Total revenue reconciling items							**495 494 498**
Entity's revenue							**1 092 228 608**
Expenditure							
Employee related costs	(44 737 456)	(22 223 839)	9 479 630	(30 057 681)	(35 758 039)	(38 901 452)	(162 198 837)
Contracted services	(6 152 386)	(307 357)	-	(647 043)	(8 390 751)	(8 385 876)	(23 883 413)
Depreciation and amortisation	(60 097 557)	-	-	(14 941 905)	(1 246 107)	(6 876 401)	(83 161 970)
Bulk purchases	-	-	-	-	-	(275 456 200)	(275 456 200)
Inventory consumed	(8 885 208)	(695 791)	(136 433)	(676 533)	(438 627)	(3 158 253)	(13 990 845)
Transfers and subsidies	-	-	-	-	-	(10 379 409)	(10 379 409)
Operating leases	(53 986)	-	-	(117 461)	(117 461)	(53 986)	(342 894)
Operational cost	(787 311)	(869 837)	(16 852)	(5 060 011)	(9 670 990)	(16 340 383)	(32 745 384)
Impairment on assets	-	(8 430 569)	-	-	-	(7 938 578)	(16 369 147)
Irrecoverable Debts Written Off	-	(20 105 870)	-	-	-	(2 684 021)	(22 789 891)
Interest; Dividends and Rent on Land	-	-	-	-	-	(260 354)	(260 354)
Total segment expenditure	**(120 713 904)**	**(52 633 263)**	**9 326 345**	**(51 500 634)**	**(55 621 975)**	**(370 434 913)**	**(641 578 344)**
							-

Notes to the Annual Financial Statements

Figures in Rand

60. Segment information (continued)

	Town Planning and Local Economic Development	Solid Waste and Cleasing	Public Works and Roads	Community Facilities	Public Safety	Electricity	Total
Total revenue reconciling items							495 494 498
Unallocated - Contracted Services							(42 831 251)
Unallocated - Depreciation and Armotisation							(8 238 276)
Unallocated - Employee costs							(171 085 787)
Unallocated - Interest;Dividends and Rent on Land							(2 990 413)
Unallocated - Inventory Consumed							(712 782)
Unallocated - Irrecoverable Debts Written Off							(21 672 923)
Unallocated - Operating Leases							(1 414 181)
Unallocated - Operational cost							(38 306 079)
Unallocated - Remuneration of Councillors							(26 427 751)
Unallocated - Disposal of Assets							(5 599 017)
Unallocated - Fair value adjustment							1 998 980
Unallocated - Impairment Loss							1 017 495
Unallocated - Inventory net realisable value							800 601
Entity's surplus (deficit) for the period							**135 188 879**
Assets							
Segment assets	-	-	(38 641 655)	(16 488 803)	(803 391)	(19 030 078)	(74 963 927)
Unallocated - assets acquisitions							(13 914 432)
Total assets as per Statement of financial Position							**(88 878 359)**

Figures in Rand	2022	2021

61. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	4 047 614	4 135 565
Amount paid - current year	(4 047 614)	(4 135 565)
	-	-

Audit fees

Current year subscription / fee	5 166 484	4 637 479
Amount paid - current year	(5 166 484)	(4 637 479)
	-	-

PAYE, SDL and UIF

Current year subscription / fee	51 495 582	50 808 620
Amount paid - current year	(51 495 582)	(46 829 343)
	-	**3 979 277**

Pension and Medical Aid Deductions

Current year subscription / fee	45 671 596	66 730 558
Amount paid - current year	(45 671 596)	(66 730 558)
	-	-

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022 relating to consumer accounts as well as cellphone accounts

30 June 2022	Outstanding more than 90 days	Total
Cllr. Mavuso LBM	3 894	3 894
Cllr. Makhathini S&N	4 046	4 046
Cllr. TP Khumalo	7 722	7 722
Cllr. B Gwala	7 722	7 722
Cllr. LG Hlomuka	7 722	7 722
Cllr. BB Biyela	7 722	7 722
Cllr. LG Hlongwane	7 722	7 722
Cllr. SS Khumalo	7 722	7 722
Cllr. SE Kubheka	7 947	7 947
Cllr. SE Madonso	7 722	7 722
Cllr. XO Kubheka	7 947	7 947
Cllr. ZI Madondo	7 722	7 722
Cllr. VF Memela	7 947	7 947
Cllr. M Magasela	7 722	7 722
Cllr. PP Mbambo	7 722	7 722
Cllr. SE Mbhele	5 799	5 799

Figures in Rand	2022	2021

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

Cllr. K Mdluli	7 722	7 722
Cllr. XF Mhlongo	7 722	7 722
Cllr. KE Mjiyako	7 722	7 722
Cllr. TC Mlaba	7 722	7 722
Cllr. NP Mlotshwa	7 722	7 722
Cllr. N Mlotshwa	7 722	7 722
Cllr. XP Mngadi	7 722	7 722
Cllr. MS Mngadi	7 722	7 722
Cllr. SL Msimango	7 722	7 722
Cllr. SL Mswane	7 722	7 722
Cllr. SM Nene	7 639	7 639
Cllr. SE Ngubane	7 947	7 947
Cllr. L Nkosi	7 722	7 722
Cllr. P Nsele	7 947	7 947
Cllr. K Ntini	7 722	7 722
Cllr. BM Nzuza	7 722	7 722
Cllr. A Rajkoomar	6 225	6 225
Cllr. NJ Sithebe	7 722	7 722
Cllr. NS Sithole	7 722	7 722
Cllr. ZT Thabethe	7 722	7 722
Cllr. NB Shabalala	7 722	7 722
Cllr. KE Shabalala	7 722	7 722
Cllr. AB Xaba	7 947	7 947
Cllr. NB Dlamini	7 722	7 722
Cllr. TN Ngcobo	7 722	7 722
Cllr. S Sithole	7 912	7 912
Cllr. T Xaba	10 356	10 356
Cllr. MG Zikalala	7 722	7 722
Cllr. NP Zungu	7 722	7 722
Cllr. F Zuma	7 912	7 912
Cllr. SX Zwane	7 947	7 947
Cllr. NE Zwane	7 947	7 947
Cllr. XS Zwane	7 722	7 722
Cllr. AS Warasally	8 006	8 006
Cllr. ZJ Sibisi	7 744	7 744
Cllr. NC Mtshali	7 722	7 722
Cllr. TP Dlamini	7 722	7 722
Cllr. S Simelane	7 744	7 744
Cllr. BC Majola	7 722	7 722
Cllr. MM Khoza	7 722	7 722
Cllr. BP Sithole	8 028	8 028
Cllr. OS Nxumalo	6 225	6 225
Cllr. A Mchunu	7 947	7 947
Cllr T Hadebe	284	284
Cllr. LB Kubheka	6 225	6 225
Cllr. MN Mbhense	9 127	9 127
Cllr. LBM Kubheka	953	953
Cllr. N Mbhense	7 722	7 722
	473 078	**473 078**

30 June 2021	Outstanding more than 90 days	Total
Cllr Mbatha NTA	26 359	26 359
Cllr Mbhense M	1 404	1 404
Cllr Radebe D	3 046	3 046
Cllr Vilakazi N	115 069	115 069

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
61. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Cllr Xaba T	2 634	2 634
Cllr Hlubi G	12 574	12 574
Cllr Kubheka LBM	953	953
Cllr Mavuso LBM	2 362	2 362
Cllr Mazibuko D	20 320	20 320
Cllr Mchunu T	14 073	14 073
Cllr Mlotshwa MN	24 942	24 942
Cllr Njoko TP	3 686	3 686
Cllr Myende ZE	608	608
Cllr Hadebe DJ	6 930	6 930
Cllr Vilakazi HB & SD	418	418
Cllr Vilakazi NE	2 153	2 153
	237 531	**237 531**