



**Endumeni Local Municipality**

**Annual Financial Statements**

**for the year ended**

**30 June 2022**

**Endumeni Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

**General information**

**Members of the Council (1 July 2021 to 30 October 2021)**

ClIr SB Mdluli	Mayor
ClIr MI Nkosi	Deputy Mayor
ClIr LT Khumalo	Speaker
ClIr AS Ndlovu	Member of the Executive Committee
ClIr MH Xaba	MPAC
ClIr AZ Sadeck	Member
ClIr FN Mthethwa	Member
ClIr NE Khanyile	Member
ClIr AM Raubenheimer	Member
ClIr B Khan	Member
ClIr SN Zwane	Member
ClIr TI Makaba	Member
ClIr CJ Carelse	Member

**Members of the Council (1 November 2021 to 30 June 2022)**

ClIr S Ndlovu	Mayor
ClIr A Nsibandé	Speaker
ClIr SB Mdluli	Member of the Executive Committee
ClIr M Abdool	Member of the Executive Committee
ClIr N Gopie	MPAC
ClIr M Ngcobo	Member
ClIr A Sadeck	Member
ClIr M Phakathi	Member
ClIr S Kheswa	Member
ClIr Z Shelembe	Member
ClIr X Msezane	Member
ClIr F Mthethwa	Member
ClIr L Zulu	Member

**Accounting Officer**

Mr LS Hlongwane

**Chief Financial Officer**

Mr A Ngcobo

**Grading of Local Authority**

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**Auditors**

Auditor-General

**Bankers**

FNB Bank

**Endumeni Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

**General information (continued)**

<b>Legal form of entity</b>	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
<b>Nature of business and principal activities:</b>	The provision of services (electricity and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
<b>Legislation governing the municipality's operations:</b>	Constitution of the Republic of South Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)
<b>Registered Office:</b>	Endumeni Municipality
<b>Business address:</b>	64 Victoria Street Civic Centre Dundee 3000
<b>Postal address:</b>	Private Bag X2024 Dundee 3000
<b>Telephone number:</b>	034 212 2121
<b>Fax number:</b>	034 212 3856
<b>E-mail address:</b>	<a href="mailto:pamm@endumeni.gov.za">pamm@endumeni.gov.za</a>

**Endumeni Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

**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 given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit. The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. The municipality however faces challenges of debtor non-payment and the high rate of electricity losses due to theft.

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 61, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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Accounting Officer: Mr LS Hlongwane

31 August 2022

**Endumeni Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

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**Abbreviations**

MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
MSCOA	Municipal Standard Chart of Accounts
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MIG	Municipal Infrastructure Grant

**Endumeni Local Municipality**  
**Statement of Financial Position**  
as at 30 June 2022

	Note	2022	2021 RESTATED
		R	R
<b>ASSETS</b>			
<b>Current assets</b>		<b>156 080 055</b>	<b>65 553 580</b>
Inventories	2	8 767 097	6 484 128
Cash and cash equivalents	3	28 330 236	13 638 168
Current portion of non-current receivables	4	0	0
Receivables from exchange transactions	5	45 216 312	17 420 016
Receivables from non-exchange transactions	6	73 766 410	28 011 267
<b>Non-current assets</b>		<b>456 118 608</b>	<b>433 783 798</b>
Property, plant and equipment	7	336 791 515	327 179 201
Intangible assets	8	1 920 093	2 597 817
Investment property	9	117 407 000	104 006 779
<b>Total assets</b>		<b>612 198 663</b>	<b>499 337 377</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>160 473 045</b>	<b>67 107 797</b>
Payables from exchange transactions	10	137 768 383	45 093 621
Consumer deposits	11	5 517 891	5 296 008
VAT payable	12	5 501 747	8 949 471
Provisions	13	1 947 448	716 744
Employee Benefit Obligations	41	3 629 078	3 389 936
Unspent conditional grants and receipts	14	6 108 497	3 662 017
<b>Non-current liabilities</b>		<b>63 995 861</b>	<b>67 892 120</b>
Provisions	13	14 230 101	16 493 160
Employee Benefit Obligations	41	49 765 760	51 398 960
<b>Total liabilities</b>		<b>224 468 906</b>	<b>134 999 918</b>
<b>NET ASSETS</b>		<b>387 729 757</b>	<b>364 337 459</b>
Housing Development Fund	15	4 894 320	4 754 170
Accumulated surplus / (deficit)		382 835 437	359 583 290
<b>Total net assets</b>		<b>387 729 757</b>	<b>364 337 459</b>

**Endumeni Local Municipality**  
**Statement of Financial Performance**  
for the year ending 30 June 2022

	Note	2022	2021 RESTATED
		R	R
<b>REVENUE</b>			
<b>Revenue from exchange transactions</b>		<b>163 255 233</b>	<b>159 684 682</b>
Service charges	18	155 978 689	148 067 915
Rental of facilities and equipment	19	3 867 981	948 883
Interest earned - external investments	20	811 958	816 058
Licences and permits		2 195 959	2 591 761
Operational revenue from exchange transactions	22	400 645	7 260 066
<b>Revenue from non-exchange transactions</b>		<b>192 759 119</b>	<b>203 109 152</b>
Property rates	17	94 435 506	92 831 977
Property rates - penalties and collection charges		6 764 003	11 766 424
Fines		2 456 167	1 997 986
Transfers and subsidies	21	88 894 248	93 442 262
Public contributions and donations	22	209 195	3 070 503
<b>Total revenue</b>		<b>356 014 352</b>	<b>362 793 834</b>
<b>EXPENSES</b>			
Employee related costs	23	135 587 459	123 194 831
Remuneration of councillors	24	4 484 263	4 601 145
Bad debts		-	10 214 944
Debt Impairment	6	(24 202 496)	22 598 741
Municipal services cost		6 718 683	3 915 036
Depreciation	25	14 734 684	14 185 924
Amortisation	25	677 724	512 832
Bulk purchases electricity	26	145 803 039	116 978 978
Contracted services	27	12 699 877	14 395 768
Operational costs	28	48 228 195	47 222 735
Retirement and long services benefits	41	2 494 568	10 111 780
<b>Total expenses</b>		<b>347 225 997</b>	<b>367 932 714</b>
Gain / (loss) on write-off of assets	29	(205 711)	(2 753 394)
Gain / (loss) on fair value adjustment	31	13 400 221	23 000
Contribution to landfill site provision (Increase)/ Decrease	13	1 591 537	(311 396)
Assets: (Impairment loss) / Reversal of impairment loss	30	(281 571)	(1 443 047)
Inventories: (Impairment loss)/ Reversal of impairment loss	30	(10 444)	158 577
<b>Surplus / (deficit) for the period</b>		<b>23 282 386</b>	<b>(9 465 141)</b>

**Endumeni Local Municipality**  
**Statement of Changes in Net Assets**  
as at 30 June 2022

	<b>Housing Development Fund</b>	<b>Accumulated Surplus/(Deficit)</b>	<b>Total: Net Assets</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Opening balance as previously reported 2020</b>	<b>4 636 077</b>	<b>310 649 049</b>	<b>315 285 126</b>
Land erroneously not recorded on asset register (Note 35 Prior period error)		11 643 000	11 643 000
Investment Property erroneously not recorded on asset register (Note 35 Prior period error)	-	46 879 000	46 879 000
<b>Restated Balance as at 30 June 2020</b>	<b>4 636 077</b>	<b>369 171 049</b>	<b>373 807 126</b>
Restated Surplus for the year (Refer to Note 35)		( 9 465 141)	( 9 465 141)
Transactions for the year	118 093	-	118 093
Reclassification of Insurance reserve to surplus	-	( 122 617)	( 122 617)
Effect of rounding in the financial statements	-	( 0)	( 0)
		-	-
<b>Restated Balance as at 30 June 2021</b>	<b>4 754 170</b>	<b>359 583 290</b>	<b>364 337 460</b>
Surplus / (deficit) for the period	-	23 282 386	23 282 386
Transactions for the year	140 150		140 150
Reclassification of Insurance reserve to surplus	-	( 30 239)	( 30 239)
Effect of rounding in the financial statements		0	0
<b>Balance at 30 June 2022</b>	<b>4 894 320</b>	<b>382 835 437</b>	<b>387 729 757</b>

Refer to note 16 for ring fenced reserves within accumulated surplus



**Endumeni Local Municipality**

**Cash Flow Statements**

as at 30 June 2022

	Note	2022	2021
		R	RESTATED R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>		<b>308 325 758</b>	<b>306 587 518</b>
Sales of goods and services		216 951 473	223 557 132
Transfers and subsidies		91 374 285	83 030 386
<b>Payments</b>		<b>( 269 917 334)</b>	<b>( 298 206 562)</b>
Employee costs		( 141 300 752)	( 128 344 113)
Suppliers		( 128 616 582)	( 169 862 449)
<b>Cash generated from operations</b>	32	<b>38 408 424</b>	<b>8 380 956</b>
Interest received		811 958	816 058
Interest paid		-	-
<b>Net cash flows from operating activities</b>		<b>39 220 382</b>	<b>9 197 014</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets (PPE)	7	( 24 625 086)	( 28 479 013)
Proceeds from sale of fixed assets		-	-
Proceeds from sale of investments		-	-
Purchase of intangibles	8	-	( 1 364 122)
Decrease/(Increase) in Long term receivables		( 125 112)	( 117 332)
<b>Net cash flows from investing activities</b>		<b>( 24 750 197)</b>	<b>( 29 960 467)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		-	-
(Decrease)/Increase in Consumer deposits		221 883	68 311
<b>Net cash flows from financing activities</b>		<b>221 883</b>	<b>68 311</b>
Net increase / (decrease) in cash and cash equivalents		14 692 068	( 20 695 142)
Net cash and cash equivalents at beginning of period		13 638 168	34 333 310
<b>Net cash and cash equivalents at end of period</b>	33	<b>28 330 236</b>	<b>13 638 168</b>

**Endumeni Municipality**  
**Statement of Comparison of Budget and Actual Information**  
as at 30 June 2022

	2 022										2 021			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	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	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Audited Outcome
<b>Financial Performance</b>														
Property rates	93 378 802	-	93 378 802		93 378 802	94 435 506		1 056 704	101	101				92 831 977
Service charges	155 796 744	( 500 000)	155 296 744		155 296 744	155 978 689		681 945	100	100				148 067 915
Investment revenue	2 940 000	( 2 440 000)	500 000		500 000	811 958		311 958	162	28				816 058
Transfers recognised - operational	76 974 000	2 900 000	79 874 000		79 874 000	75 448 787		( 4 425 213)	94	98				71 800 862
Other own revenue	57 200 007	( 1 415 000)	55 785 007		55 785 007	29 084 976		( 26 700 031)	52	51				24 588 120
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>386 289 553</b>	<b>( 1 455 000)</b>	<b>384 834 553</b>		<b>384 834 553</b>	<b>355 759 916</b>		<b>( 29 074 637)</b>	<b>92</b>	<b>92</b>				<b>338 104 931</b>
Employee costs	132 562 946	2 199 500	134 762 446		134 762 446	135 587 459	825 013	825 013	101	102	-	-	-	133 306 611
Remuneration of councillors	6 223 681	-	6 223 681		6 223 681	4 484 263	( 1 739 418)	( 1 739 418)	72	72	-	-	-	4 601 145
Debt impairment	7 926 668	( 180 000)	7 746 668		7 746 668	( 24 202 496)	( 31 949 164)	( 31 949 164)	-312	-305	-	-	-	22 598 741
Depreciation & asset impairment	14 498 850	-	14 498 850		14 498 850	15 693 980	1 195 130	1 195 130	108	108	-	-	-	16 141 803
Materials and bulk purchases	138 081 023	-	138 081 023		138 081 023	147 385 988	9 304 965	9 304 965	107	107	-	-	-	118 994 420
Transfers and grants	1 476 000	1 300 000	2 776 000		2 776 000	631 072	( 2 144 928)	( 2 144 928)	23	43	-	-	-	340 006
Other expenditure	78 795 571	( 3 322 615)	75 472 956		75 472 956	66 551 920	( 8 921 036)	( 8 921 036)	88	84	-	-	-	76 299 249
<b>Total Expenditure</b>	<b>379 564 739</b>	<b>( 3 115)</b>	<b>379 561 624</b>		<b>379 561 624</b>	<b>346 132 187</b>	<b>( 33 429 437)</b>	<b>( 33 429 437)</b>	<b>91</b>	<b>91</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>372 281 975</b>
<b>Surplus/(Deficit)</b>	<b>6 724 814</b>	<b>( 1 451 885)</b>	<b>5 272 929</b>		<b>5 272 929</b>	<b>9 627 730</b>		<b>4 354 801</b>	<b>183</b>	<b>143</b>				<b>( 34 177 043)</b>
Transfers recognised - capital	15 836 000		15 836 000		15 836 000	13 445 461		( 2 390 539)	85	85				21 641 400
Contributions recognised - capital & contributed assets			-		-	209 195								3 070 503
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>22 560 814</b>	<b>( 1 451 885)</b>	<b>21 108 929</b>		<b>21 108 929</b>	<b>23 282 386</b>		<b>2 173 457</b>	<b>110</b>	<b>103</b>				<b>( 9 465 141)</b>
Share of surplus/ (deficit) of associate			-		-									
<b>Surplus/(Deficit) for the year</b>	<b>22 560 814</b>	<b>( 1 451 885)</b>	<b>21 108 929</b>		<b>21 108 929</b>	<b>23 282 386</b>		<b>2 173 457</b>	<b>110</b>	<b>103</b>				<b>( 9 465 141)</b>
<b>Capital expenditure &amp; funds sources</b>														
<b>Capital expenditure</b>	<b>26 429 192</b>	<b>( 1 546 192)</b>	<b>24 883 000</b>		<b>24 883 000</b>	<b>24 834 281</b>				<b>94</b>				<b>29 991 737</b>
Transfers recognised - capital	19 095 000	-	19 095 000		19 095 000	13 445 461		( 5 649 539)	70	70				18 868 855
Public contributions & donations			-			209 195		209 195	-	-				1 512 723
Borrowing			-			-		-	-	-				-
Internally generated funds	7 334 192	( 1 546 192)	5 788 000		5 788 000	11 179 625		5 391 625	193	152				9 610 159
<b>Total sources of capital funds</b>	<b>26 429 192</b>	<b>( 1 546 192)</b>	<b>24 883 000</b>		<b>24 883 000</b>	<b>24 834 281</b>		<b>( 48 719)</b>	<b>100</b>	<b>94</b>				<b>29 991 737</b>
<b>Cash flows</b>														
Net cash from (used) operating	98 177 521	( 72 766 521)	25 411 000		25 411 000	39 220 382		13 809 382	154	40				9 197 014
Net cash from (used) investing	( 29 701 192)	10 818 192	( 18 883 000)		( 18 883 000)	( 24 750 197)		( 5 867 197)	131	83				( 29 960 467)
Net cash from (used) financing	47 303	( 47 303)				221 883		221 883						68 311
<b>Cash/cash equivalents at the year end</b>	<b>68 523 632</b>	<b>( 48 357 632)</b>	<b>20 166 000</b>		<b>20 166 000</b>	<b>28 330 236</b>		<b>8 164 236</b>	<b>140</b>	<b>41</b>				<b>13 638 168</b>

Endumeni Municipality Reportable Segments for the year ending 30 June 2022												
	2 022						2 021					
	Community and Public Safety	Economic and Environmental Services	Trading Services	Other	Unallocated	Total	Community and Public Safety	Economic and Environmental Services	Trading Services	Other	Unallocated	Total
<b>Segment Revenue</b>												
External revenue from non-exchange transactions	6 275 168	17 996 462	18 362 999	133 225 253	30 090 263	205 950 145	5 772 575	20 130 668	16 010 997	-	157 331 352	199 245 591
External revenue from exchange transactions	1 225 498	2 189 991	155 976 906	2 838 391	421 684	162 652 469	1 192 697.39	280 283.65	148 590 048.70	2 589 341	10 102 814	162 755 185
Revenue from transactions with other segments	-	-	-	-	-	-	-	-	-	-	-	-
Interest revenue	-	-	-	-	811 958	811 958	-	-	-	-	816 058	816 058
<b>Total segment revenue</b>	<b>7 500 666</b>	<b>20 186 452</b>	<b>174 339 904</b>	<b>136 063 645</b>	<b>31 323 905</b>	<b>369 414 572</b>	<b>6 965 273</b>	<b>20 410 951</b>	<b>164 601 045</b>	<b>2 589 341</b>	<b>168 250 223</b>	<b>362 816 834</b>
<b>Segment Expenses</b>												
Total segment expenses	48 420 454	41 135 328	155 107 851	6 632 329	79 423 816	330 719 778	39 390 336	40 477 628	162 070 471	4 228 173	111 571 370	357 737 979
Depreciation and amortisation	3 701 367	6 438 476	2 785 290	166 287	2 320 990	15 412 409	3 263 424	6 528 384	2 644 768	280 680	1 826 741	14 543 996
Interest expenses	-	-	-	-	-	-	-	-	-	-	-	-
Internal charges	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total segment expenses</b>	<b>52 121 821</b>	<b>47 573 804</b>	<b>157 893 141</b>	<b>6 798 616</b>	<b>81 744 805</b>	<b>346 132 187</b>	<b>42 653 760</b>	<b>47 006 011</b>	<b>164 715 240</b>	<b>4 508 853</b>	<b>113 398 111</b>	<b>372 281 975</b>
<b>Surplus/(Deficit) for the year</b>	<b>( 44 621 155)</b>	<b>( 27 387 352)</b>	<b>16 446 763</b>	<b>129 265 028</b>	<b>( 50 420 900)</b>	<b>23 282 386</b>	<b>( 35 688 487)</b>	<b>( 26 595 060)</b>	<b>( 114 195)</b>	<b>( 1 919 511)</b>	<b>54 852 112</b>	<b>( 9 465 141)</b>
<b>Other Information</b>												
Segment assets	66 443 551	136 719 979	243 412 847	-	135 535 610	582 111 987	63 583 362	14 011 933	289 162 090	-	74 057 993	440 815 377
Segment liabilities	( 9 591 103)	( 70 000)	( 16 229 011)	-	( 532 939 487)	( 558 829 602)	( 13 150)	( 111 341)	( 442 411)	-	( 132 381 448)	( 132 948 350)
Additions to non-current assets	1 680 003	16 492 551	5 024 717	-	1 427 815	24 625 086	-	-	-	-	-	-
Net cash from (used) operating	-	-	-	-	39 220 382	39 220 382	-	-	-	-	9 197 014	9 197 014
Net cash from (used) investing	-	-	-	-	( 24 750 197)	( 24 750 197)	-	-	-	-	( 29 960 467)	( 29 960 467)
Net cash from (used) financing	-	-	-	-	221 883	221 883	-	-	-	-	68 311	68 311
Impairment loss/(reversal) recognised in surplus/deficit	-	-	-	-	( 281 571)	( 281 571)	-	-	-	-	1 443 047	1 443 047
Impairment loss/(reversal) recognised in net assets	-	-	-	-	-	-	-	-	-	-	-	-

For management purposes, the municipality is organised and operates in four key functional segments (or business units).

To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance.

The four key business units comprise of:

- Community and public safety which includes community and social services, sport and recreation, public safety, health and housing services;
- Economic and environmental services which includes planning and development, road transport and environmental protection services;
- Trading services which includes energy sources, water management, waste water management and waste management services;
- Other which support other segment and other ad-hoc services to the member of the public.

#### Basis of measurement and aggregation

The Endumeni local municipality has 7 wards within its jurisdiction. The aggregation of these segments is consistent with the functional classification in compliance with MSCOA.

Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

The functional classification considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes.

Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

**Endumeni Municipality**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
as at 30 June 2022

**1 ACCOUNTING POLICIES**

**1 BASIS OF ACCOUNTING**

**BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**PRESENTATION CURRENCY**

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

**GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. The municipality however faces challenges of debtor non-payment for municipal services and a high rate of electricity losses due to theft. This may have future implications on the operations of the municipality.

**COMPARATIVE INFORMATION**

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budgeted amounts are reported in a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Statement giving motivations for over- or under spending on line items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2021 to 30 June 2022.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.1 SIGNIFICANT JUDGEMENT AND SOURCES OF ESTIMATION UNCERTAINTY**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amount represented in the financial statements and related disclosures. Use of available information and 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 financial statements. Significant judgements include:

**1.1.1 PROVISIONS**

Management determined an estimate for provisions for the rehabilitation of the landfill site based on the engineers estimate of the landfill site. Additional disclosure of these estimates are included in Note 13 Current and Non-current provisions

**1.1.2 USEFUL LIVES OF PROPERTY PLANT EQUIPMENT AND INTANGIBLE ASSETS**

The municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the asset become available for use. The useful lives and residual values are based on industry knowledge and are reviewed annually.

**1.1.3 DEFINED BENEFIT PLAN LIABILITIES**

The municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post retirement medical benefit obligations and long service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 41 to the financial statements.

#### 1.1.4 REVENUE RECOGNITION

Management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 Revenue from Exchange Transactions and GRAP 23 Revenue from Non Exchange Transactions and in particular, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### 1.1.5 PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

The provision for impairment is measured as the difference between the asset's carrying amount and the recoverable amount. The recoverable amount is calculated based on the default history of debtors. Debtors are categorised per service type and a combination of the collection rate and age analysis per service type is used to calculate the recoverable amount. For property rates, past payment trends are used to calculate the recoverable amount since these debtors have a longer prescription period.

#### 1.1.6 IMPAIRMENT OF PROPERTY PLANT AND EQUIPMENT AND INVENTORIES

In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

#### 1.1.7 FINANCIAL ASSETS AND LIABILITIES

The classification of financial assets and liabilities into categories is based on relevant accounting standards as assessed by management.

#### 1.2 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following Standards of GRAP and interpretations of Standards of GRAP approved have been issued but are not yet effective and have not been early adopted by the municipality:

Guideline - Accounting for Landfill sites

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

The municipality has not yet adopted GRAP 108 as it has elected to adopt the transitional relief. None of the receivables are currently measured using GRAP 108. The municipality is in the process of developing an implementation plan which will include the review of the classification of revenue and receivable transactions based on the manner in which it arises (i.e. through contracts or through other means e.g. legislation etc.), the review of existing accounting policies and the review of existing processes to support the implementation of the new policies.

#### 1.3 PROPERTY, PLANT AND EQUIPMENT

##### INITIAL RECOGNITION

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 year. Items of property, plant and equipment are initially recognised as assets when:

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

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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

##### INITIAL MEASUREMENT

Items of property, plant and equipment are initially measured at cost at the acquisition date.

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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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.

## SUBSEQUENT EXPENDITURE

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

## SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

## DEPRECIATION

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciable amount is determined after taking into account an assets' residual value, where applicable. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<b>Infrastructure</b>		<b>Other</b>	
Roads and Paving	3 - 100 years	Machinery and equipment	3 - 20 years
Electricity	3 - 80 years	Furniture and Equipment	3 - 50 years
Other	10 - 30 years	Motor Vehicles	4 - 20 years
		Buildings	5 - 30 years

At each reporting date the municipality will assess whether there has been an indication that the expectation of the remaining useful lives of assets have changed. Such reviews are completed on Infrastructure, movable, intangible and leased assets. Any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

## DERECOGNITION

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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## SITE REHABILITATION AND RESTORATION COSTS

Where the Municipality has an obligation to rehabilitate and restore items of property, plant and equipment such obligations are referred to as "rehabilitation provisions". The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which the Municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period.

As 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 group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash generating assets and/or impairment of non-cash-generating assets.

## 1.4 INTANGIBLE ASSETS

An intangible asset is an identifiable non-monetary asset without physical substance. An asset is identifiable if it Either:

- is separable, ie. 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.

## INITIAL RECOGNITION

Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential;
- the municipality has the ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset 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.

## **SUBSEQUENT MEASUREMENT**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

## **AMORTISATION**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	2 - 5 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

## **IMPAIRMENT**

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

## **DERECOGNITION**

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **1.5 INVESTMENT PROPERTY**

### **INITIAL RECOGNITION**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### **SUBSEQUENT MEASUREMENT**

Investment property is subsequently measured at fair value model. 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.

### **DERECOGNITION**

Investment property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property.

All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

## 1.6 INVENTORIES

### INITIAL RECOGNITION AND MEASUREMENT

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of determining cost is the weighted-average method.

### DERECOGNITION

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

## 1.7 FINANCIAL INSTRUMENTS

### INITIAL RECOGNITION

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

### INITIAL MEASUREMENT

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

#### INVESTMENTS AT AMORTISED COSTS

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### INVESTMENT AT FAIR VALUE

Investments, which represent investments in residual interest for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

#### INVESTMENT AT COST

Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

### TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.



Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

## **TRADE PAYABLES AND BORROWINGS**

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

## **CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

## **1.8 IMPAIRMENT OF FINANCIAL ASSETS**

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

### **IMPAIRMENT FOR FINANCIAL ASSETS HELD AT AMORTISED COST**

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

### **IMPAIRMENT OF FINANCIAL ASSETS HELD AT COST**

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

## **DERECOGNITION**

A financial asset is derecognised only when:

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

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

## **1.9 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 1.10 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), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 1.11 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 1.12 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

## 1.13 BUDGET INFORMATION

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts. The approved budget covers the period 1 July 2021 to 30 June 2022.

## 1.14 LEASES

### MUNICIPALITY AS LESSEE

#### RECOGNITION

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

#### MEASUREMENT

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

## **DERECOGNITION**

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

## **MUNICIPALITY AS LESSOR**

### **RECOGNITION**

For those leases that meet the definition of a finance lease, where the entity is the lessor, the entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the entity recognises a finance lease receivable. Finance lease income is allocated to between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

### **MEASUREMENT**

Finance lease receivables are recognised at an amount equal to the entity's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

### **DERECOGNITION**

Finance lease receivables are derecognised when the entity's right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

## **1.15 REVENUE**

### **REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

### **RECOGNITION**

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

## MEASUREMENT

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Service charges relating to electricity are based on consumption by consumers as is recorded on each consumer's meter. Meters are read each month and revenue is recognised in the period that invoices are raised. Provisional estimates of consumption are made in periods when meter readings have not been able to be made. The revenue from provisional estimates of consumption is recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised in the period in which cash is received.

Service charges relating to refuse removal are raised and recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

Revenue from the sale of consumables and sundry items is recognised when the risk is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

## EXPENDITURE FROM EXCHANGE

Expenditure arising from exchange-transactions is similar to the policy for exchange revenue.

## REVENUE FROM NON-EXCHANGE TRANSACTIONS

### RECOGNITION

Revenue from non-exchange transaction arises when the entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

## MEASUREMENT

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

Revenue from assessment rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Revenue from spot fines and summons are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Donations are recognised when cash is received or when property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

## **EXPENDITURE RELATING TO NON-EXCHANGE TRANSACTIONS**

Expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

### **1.16 HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms on the Housing Act (Act 107 of 1997)

Sections 15 (5) and 16 of the Housing Act, which came into effect on 1 April 1998, required the Entity to maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund and is fully cash-backed.

In terms of section 14(4)(d)(ii)(aa), read with inter alia section 16(2), the Housing Act required that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, to be paid into a separate operating account, and be utilised by the Entity for housing development in accordance with the National Housing Policy.

### **1.17 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

### **1.18 RETIREMENT BENEFITS**

#### **SHORT TERM EMPLOYEE BENEFITS**

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

### **1.19 POST-EMPLOYMENT BENEFITS**

The Municipality operates various pension schemes. These schemes are funded through trustee administered funds. The Municipality has both defined benefit and defined contribution plans.

#### **DEFINED CONTRIBUTION PLANS**

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### **DEFINED BENEFIT PLANS**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds are defined benefit funds. The Natal Joint Provident Fund is a defined contribution funds

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

## **POST RE-TIREMENT HEALTH CARE BENEFITS**

The liability recognised in the Statement of Financial Position is in respect of defined benefit plan for post employment health care benefits. The fund is actuarially valued each year using the discounted cash flow method. Any deficits identified by the actuary are recovered from the municipality in the form of surcharges added to the contributions which are recognised as an expense in the Statement of Financial Performance in the year that they become payable. Valuations of these obligations are carried out every year by independent qualified actuaries.

### **1.20 IMPAIRMENT OF NON-FINANCIAL ASSETS**

#### **RECOGNITION**

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount).

#### **MEASUREMENT**

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets the value in use is determined as a function of the discounted future cash flows from the asset. In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Where the asset is a non-cash generating asset the value in use is determined through depreciated replacement cost, restoration cost approach or service units approach. The decision to the approach to use is dependent on the nature of the identified impairment.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

#### **REVERSAL OF IMPAIRMENT**

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

### **IMPAIRMENT OF SPECIFIC NON-FINANCIAL ASSETS**

#### **PROPERTY, PLANT AND EQUIPMENT**

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

#### **INTANGIBLE ASSETS**

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Irrespective of whether there is any indication of impairment, the municipality also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

## **INVESTMENT PROPERTY HELD AT COST**

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

### **1.21 RELATED PARTIES**

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

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed. The municipality applies GRAP 20 for related parties.

### **1.22 VALUE ADDED TAX (VAT)**

The municipality accounts for VAT on the accrual basis.

Based on approval received from the Commissioner for South African Revenue Services, the municipality has been given permission to remit or claim for VAT on the payments basis for debtors and creditors.

### **1.23 SERVICE CONCESSION ARRANGEMENT**

Service concession arrangement is a contractual arrangement between a grantor and the operator in which an operator uses the service concession asset to provide a mandated function on behalf of a grantor for a specified period. Where the operator is compensated for its services over the period of service concession arrangement. A grantor is the entity that grants the right to use the service concession asset to the operator.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate. An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

#### **RECOGNITION**

The entity recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life.

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the entity recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability. The entity does not recognise a liability where an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

#### **MEASUREMENT**

The entity initially measures the service concession asset at its fair value where the asset is not an existing asset of the entity. Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment Property, Property plant and equipment, Intangible assets, or Heritage assets as appropriate.

The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity,

#### **Financial liability model**

Where the entity has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the entity accounts for the liability as a financial liability.

The entity allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge, and charges for services provided by the operator.

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the entity to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

Where the asset and service components are not separately identifiable, the service component of payments from the entity to the operator is determined using estimation techniques.

#### **Grant of a right to the operator model**

Where the entity does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the entity accounts for the liability as the unearned portion of the revenue arising from the exchange of assets between the entity and the operator.

The entity recognises revenue and reduces the liability according to the substance of the service concession arrangement.

#### **Dividing the arrangement**

If the entity pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

#### **Other liabilities, contingent liabilities and contingent assets**

The entity accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

#### **Other revenues**

The entity accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

#### **Recognition of the performance obligation and the right to receive a significant interest in a service concession asset**

If the entity controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the entity recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.

The right to receive a residual interest in the service concession asset to be received at the end of the arrangement, is an exchange consideration. This is because the entity will receive an asset in exchange for granting the operator access to the asset while providing a mandated function on its behalf in accordance with the substance of the arrangement.

In terms of the policy on Revenue from exchange transactions, the exchange consideration are recognised and measured at fair value. The value of the receivable (the right to the residual interest in the asset), receivable at the end of the service concession arrangement, reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

When the entity recognises the right to receive a residual interest in the service concession asset, it also recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of the arrangement. The value of the performance obligation is the same as the receivable interest recognised at the commencement of the service concession arrangement.

The performance obligation is reduced and revenue is recognised based on the substance of the arrangement.

Where service concession arrangements include provisions to adjust the arrangement for changes, the effect of such changes is deemed to have taken place at the inception of the service concession arrangements

The municipality has assessed the transactions and for the period under assessment does not have any such arrangements.

## **1.24 ACCOUNTING BY PRINCIPALS AND AGENTS**

### **IDENTIFICATION**

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

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

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

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

#### **Binding arrangement**

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

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



### **Assessing which entity benefits from the transactions with third parties**

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

## **RECOGNITION**

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

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

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

## **1.25 STATUTORY RECEIVABLES**

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means and are settled in cash or another financial asset. The municipality accounts for statutory receivables which arise from the implementation of:

The Municipal Property Rates Act 6 of 2004 (MPRA) whose purpose is to regulate the power of a municipality to impose rates on property, to exclude certain properties from rating in the national interest and to make provision for municipalities to implement a transparent and fair system of exemptions, reductions and rebates through their rating policies.

The National Road Traffic Act 93 of 1996 (NRTA) whose purpose is to provide for road traffic matters which shall apply uniformly throughout the republic and for matters connected therewith.

### **Determination of transaction amount**

Transaction amounts for these statutory are determined as follows:

Property rates - billed amount with reference to property values taking into consideration any exemptions, rebates and reductions as per policy, excluding any receipts

Traffic fines - with reference to the schedules as per the act and offence.

### **Penalties and other charges levied/charged**

Penalties on outstanding balances is charged on overdue property rates balances and form part of statutory receivables at 1% per month on the outstanding balance excluding penalties.

### **Basis used to assess the test whether a statutory receivables is impaired**

All balances outstanding is assessed at reporting date whether there is an indication that a statutory receivable or a group of statutory receivables may be impaired.

## **1.26 CAPITAL COMMITMENTS**

A capital commitment is a binding agreement to undertake capital expenditure at some time in the future which has not yet become an actual liability

An **approved and contracted for commitment** is where expenditure has been approved and the contract has been awarded at the end of the financial year.

An **approved and not yet contracted for commitment** is where the expenditure has been approved but the contract has not yet been awarded or is awaiting the finalisation at the end of the reporting date.

**Endumeni Local Municipality**  
**Notes to The Annual Financial Statements**  
for the year ended 30 June 2022

	Note	2022	2021
		R	R
<b>2 INVENTORIES</b>			
Material and supplies - electricity		6 379 677	3 789 622
Consumable - general		1 943 149	2 335 734
Consumable - fuel and oils		440 902	337 680
Mechanical spares		3 370	21 093
<b>Closing balance of inventories</b>		<b>8 767 097</b>	<b>6 484 128</b>
Inventories recognised as an expense during the year		3 738 187	6 585 407
Write down of inventory		77 310	58 576

Inventory has been impaired for redundant and obsolete items

Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority. The stock write down for the current year is still subject to council approval

**3 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

Cash on hand	15 300	15 300
Cash book Balances	9 348 470	2 414 616
Short-term deposits		
Deposits - General Account	9 855 557	6 518 697
Deposits - Museum Trust Fund	1 006	2 013
Deposits - Government Grants and Subsidies	9 109 902	4 687 541
	<b>28 330 236</b>	<b>13 638 168</b>

The Municipality has the following bank accounts: -

**Current Account (Primary Bank Account)**

First National Bank Account - Dundee Branch  
Account Number 62025460651: Cheque Account

Cash book balance at beginning of year	2 414 616	136 447
Cash book balance at end of year	9 348 470	2 414 616
Bank statement balance at beginning of year	6 211 139	3 324 478
Bank statement balance at end of year	4 636 017	6 211 139

The municipality has the following Short-term deposit accounts

**ACCOUNT DESCRIPTION - Short-term deposits (MFMA requirement)**

**Investment General Account**

*Absa Bank Account - Dundee Branch*  
Account Number 9072089566 : Call Account

Bank statement balance at the beginning of the year	-	6 006 237
Bank statement balance at the end of the year	-	-

**Investment General Account**

*First National Bank Account - Dundee Branch*  
Account Number 62113431390 : Money Market Account

Bank statement balance at the beginning of the year	10 910	530 910
Bank statement balance at the end of the year	<b>3 107 332</b>	<b>10 910</b>

**Investment General Account**

*Grindrod Bank - Durban Branch*  
Account Number 11000207002 Call Account

Bank statement balance at the beginning of the year	6 507 787	6 298 971
Bank statement balance at the end of the year	<b>6 748 225</b>	<b>6 507 787</b>

**Endumeni Local Municipality**  
**Notes to The Annual Financial Statements**  
for the year ended 30 June 2022

	Note	2022	2021
		R	R
<b>Investment General Account</b>			
<i>Investec Branch - Sandton Branch</i>			
<i>Account Number 540709 fixed deposit</i>			
Bank statement balance at the beginning of the year		-	6 366 832
Bank statement balance at the end of the year		-	-
<b>TOTAL INVESTMENTS (CURRENT ACCOUNT) :</b>		<b>9 855 557</b>	<b>6 518 697</b>
<b>Investment Museum Trust Fund</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62127781236 : Money Market Account</i>			
Bank statement balance at the beginning of the year		2 013	92 953
Bank statement balance at the end of the year		<b>1 006</b>	<b>2 013</b>
<b>TOTAL INVESTMENT (MUSEUM TRUST FUND) :</b>		<b>1 006</b>	<b>2 013</b>
<b>Investment Projects</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62047254941 : Call Account</i>			
Bank statement balance at the beginning of the year		2 913 817	2 021 088
Bank statement balance at the end of the year		<b>3 186 948</b>	<b>2 913 817</b>
<b>Investment Interest Earned</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62509652419 : Call Account</i>			
Bank statement balance at the beginning of the year		3 273	3 236 602
Bank statement balance at the end of the year		<b>3 634 804</b>	<b>3 273</b>
<b>Investment VAT</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62509650851 : Call Account</i>			
Bank statement balance at the beginning of the year		12 475	4 076 056
Bank statement balance at the end of the year		<b>708 109</b>	<b>12 475</b>
<b>Investment Sibongile Hostel</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62045928069 : Call Account</i>			
Bank statement balance at the beginning of the year		547 202	534 059
Bank statement balance at the end of the year		<b>561 951</b>	<b>547 202</b>
<b>Investment Sithembile Hostel</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62063967718 : Call Account</i>			
Bank statement balance at the beginning of the year		445 364	434 688
Bank statement balance at the end of the year		<b>457 478</b>	<b>445 364</b>
<b>Investment Training of Councillors</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62310958098 : Call Account</i>			
Bank statement balance at the beginning of the year		11 102	11 102
Bank statement balance at the end of the year		-	<b>11 102</b>
<b>Investment Transfer / Buyback Centre</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62130398903 : Call Account</i>			
Bank statement balance at the beginning of the year		-	9 063
Bank statement balance at the end of the year		-	-

**Endumeni Local Municipality**  
**Notes to The Annual Financial Statements**  
for the year ended 30 June 2022

	Note	2022	2021
		R	R
<b>Investment Sibongile Library Internet</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62173631948 : Call Account</i>			
Bank statement balance at the beginning of the year		158 993	262 322
Bank statement balance at the end of the year		<u>1 062</u>	<u>158 993</u>
<b>Investment Housing Operating Account</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62412969084 : Call Account</i>			
Bank statement balance at the beginning of the year		544 512	531 503
Bank statement balance at the end of the year		<u>559 550</u>	<u>544 512</u>
<b>Investment Rural Horse Riding</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62599265876 : Money Market Account</i>			
Bank statement balance at the beginning of the year		20 494	20 005
Bank statement balance at the end of the year			<u>20 494</u>
<b>Investment Small Town Rehabilitation</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62521487894 : Money Market Account</i>			
Bank statement balance at the beginning of the year		30 310	561 140
Bank statement balance at the end of the year			<u>30 310</u>
<b>TOTAL INVESTMENTS (GOVERNMENT GRANTS AND SUBSIDIES) :</b>		<u><b>9 109 902</b></u>	<u><b>4 687 541</b></u>
<b>TOTAL CURRENT INVESTMENTS</b>		<u><b>18 966 466</b></u>	<u><b>11 208 252</b></u>
<b>4 NON-CURRENT RECEIVABLES</b>			
Housing - Selling scheme loans		538 535	536 868
Housing - Sibongile		1 669 595	1 546 151
Housing - Individual selling scheme loans		140 507	140 507
		<u>2 348 638</u>	<u>2 223 526</u>
Less : Provision for housing receivables		( 2 348 638)	( 2 223 526)
Total Non Current Receivables		<u>-</u>	<u>-</u>
<b>HOUSING SELLING SCHEME LOANS</b>			
Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Human Settlements programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%. Title deeds for many of these properties have been handed over to the beneficiaries in the 2015/16 financial year.			
<b>5 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>			
<b><u>Trade and Other Receivables from Exchange</u></b>		<b>R</b>	<b>R</b>
Electricity		27 473 481	15 578 788
Refuse		33 064 381	26 373 658
Estate		62 181	63 271
Interest		10 942 716	12 164 480
Deposit Housing		8 300	7 150
Deposit Electricity		6 045	7 358
Housing Levy		1 041 008	858 323
Sundry Adjustments		6 412 942	4 798 644
Total Service Debtors		<u>79 011 054</u>	<u>59 851 671</u>
Provision for Doubtful Debts		( 33 794 742)	( 42 431 655)
<b>Total</b>		<u><b>45 216 312</b></u>	<u><b>17 420 016</b></u>

**Endumeni Local Municipality**  
**Notes to The Annual Financial Statements**  
for the year ended 30 June 2022

	Note	2022	2021
		R	R
<b><u>Electricity: Ageing</u></b>			
Current (0 – 30 days)		7 806 920	5 737 867
31 - 60 Days		6 441 044	2 042 600
61 - 90 Days		5 645 938	1 428 245
91 - 120 Days		1 772 378	929 056
Greater than 120 days		5 807 201	5 441 020
<b>Total</b>		<b>27 473 481</b>	<b>15 578 788</b>
<b><u>Refuse: Ageing</u></b>			
Current (0 – 30 days)		2 161 550	1 636 178
31 - 60 Days		1 979 830	1 221 682
61 - 90 Days		1 448 284	1 011 750
91 - 120 Days		1 146 780	891 076
Greater than 120 days		26 327 937	21 612 972
<b>Total</b>		<b>33 064 381</b>	<b>26 373 658</b>
<b><u>Estate: Ageing</u></b>			
Current (0 – 30 days)		-	-
31 - 60 Days		-	-
61 - 90 Days		-	-
91 - 120 Days		-	-
Greater than 120 days		62 181	63 271
<b>Total</b>		<b>62 181</b>	<b>63 271</b>
<b><u>Interest: Ageing</u></b>			
Current (0 – 30 days)		-	-
31 - 60 Days		-	-
61 - 90 Days		-	276 695
91 - 120 Days		-	288 409
Greater than 120 days		10 942 716	11 599 376
<b>Total</b>		<b>10 942 716</b>	<b>12 164 480</b>
<b><u>Deposit Housing: Ageing</u></b>			
Current (0 – 30 days)		-	-
31 - 60 Days		-	-
61 - 90 Days		-	-
91 - 120 Days		-	-
Greater than 120 days		8 300	7 150
<b>Total</b>		<b>8 300</b>	<b>7 150</b>
<b><u>Deposit Electricity: Ageing</u></b>			
Current (0 – 30 days)		-	-
31 - 60 Days		-	-
61 - 90 Days		-	-
91 - 120 Days		-	-
Greater than 120 days		6 045	7 358
<b>Total</b>		<b>6 045</b>	<b>7 358</b>

**Endumeni Local Municipality**  
**Notes to The Annual Financial Statements**  
for the year ended 30 June 2022

	Note	2022	2021
		R	R
<b><u>Housing Levy: Ageing</u></b>			
Current (0 – 30 days)		50 071	24 240
31 - 60 Days		47 075	21 488
61 - 90 Days		25 062	21 241
91 - 120 Days		21 400	20 694
Greater than 120 days		897 400	770 660
<b>Total</b>		<b>1 041 008</b>	<b>858 323</b>

<b><u>Sundry Adjustments: Ageing</u></b>			
Current (0 – 30 days)		( 371 000)	594 531
31 - 60 Days		783 429	570 479
61 - 90 Days		244 348	33 253
91 - 120 Days		753 486	41 678
Greater than 120 days		5 002 679	3 558 703
<b>Total</b>		<b>6 412 942</b>	<b>4 798 644</b>

Included in the Receivables from exchange balances and receivables from non-exchange transactions are the amounts owed by other spheres of Government:

**6 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Property Rates	124 049 691	94 796 274
Traffic Fines	14 789 349	13 124 100
Other Sundry Debtors	9 311 335	10 165 552
	148 150 375	118 085 926
Less provision for bad debts	( 74 383 964)	( 90 074 659)
<b>Total</b>	<b>73 766 410</b>	<b>28 011 267</b>

<b><u>Rates: Ageing</u></b>			
Current (0 – 30 days)	6 044 061	7 283 514	
31 - 60 Days	6 511 155	4 187 515	
61 - 90 Days	5 152 781	3 382 062	
91 - 120 Days	3 856 724	2 935 841	
Greater than 120 days	102 484 970	77 007 342	
<b>Total</b>	<b>124 049 691</b>	<b>94 796 274</b>	

**Property rates past due but not impaired**

Property rates which are less than 3 months past due are not considered to be impaired. At 30 June 2022 R12 507 325 (2021 R18 104 538) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	5 582 440	1 952 967
2 months past due	4 091 243	1 133 854
3 months past due	2 833 642	619 390

**Property rates impaired**

As of 30 June 2022, property rates of R 42 727 483 (2021 R 75 412 534) were impaired and provided for.

The ageing of these receivables is as follows:

3 to 4 months	5 126 090	4 621 903
Over 4 months	68 013 047	64 432 350

The fair value of property rates approximates their carrying amounts.

**Endumeni Local Municipality**  
**Notes to The Annual Financial Statements**  
for the year ended 30 June 2022

	Note	2022	2021
<u>Summary of Debtors by Customer Classification</u>	Consumers	R Industrial / Commercial	R National and Provincial Government
	R	R	R
<b>as at 30 June 2022</b>			
Current (0 – 30 days)	5 940 937	7 314 459	2 592 563
31 - 60 Days	6 039 605	7 889 362	1 835 445
61 - 90 Days	4 530 569	6 329 311	1 656 930
91 - 120 Days	3 863 291	2 480 102	1 202 934
121+ Days	113 744 675	17 234 130	20 406 431
Sub-total	<b>134 119 078</b>	<b>41 247 365</b>	<b>27 694 303</b>
<b>Total debtors by customer classification</b>			<b>203 060 745</b>

<b>as at 30 June 2021</b>			
Current (0 – 30 days)	7 087 778	6 112 317	2 076 234
31 - 60 Days	4 612 177	2 016 323	1 415 266
61 - 90 Days	3 755 103	1 231 434	1 166 709
91 - 120 Days	3 318 643	901 162	886 949
121 + Days	92 047 103	11 852 629	16 168 118
Sub-total	<b>110 820 804</b>	<b>22 113 865</b>	<b>21 713 276</b>
<b>Total debtors</b>			<b>154 647 945</b>
<b>Total debtors by customer classification</b>			<b>154 647 945</b>

**Reconciliation of the doubtful debt provision**

Reconciliation of the Bad Debt Provision

Balance at beginning of the year	134 729 840	112 131 099
Receivables from exchange	42 431 655	37 926 313
Non-current receivables	2 223 526	2 106 193
Receivables from non-exchange	90 074 659	72 098 592
Contribution to provision	( 24 202 496)	22 598 741
Receivables from exchange	( 8 636 913)	4 505 342
Non-current receivables	125 112	117 332
Receivables from non-exchange	( 15 690 695)	17 976 067
Receivables from exchange	33 794 742	42 431 655
Non-current receivables	2 348 638	2 223 526
Receivables from non-exchange	74 383 964	90 074 659
Balance at end of year	<b>110 527 344</b>	<b>134 729 840</b>
Bad debts written off	-	<b>10 214 944</b>

ENDUMENI LOCAL MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

Figures in rands

**7 Property, plant and equipment**

	2022			2021		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land	68 510 244	-	68 510 244	68 510 244	-	68 510 244
Community Asset (Buildings)	108 465 564	( 33 560 042)	74 905 521	99 875 164	( 29 850 106)	70 025 058
Electricity	47 089 881	( 22 472 351)	24 617 529	47 089 881	( 21 171 176)	25 918 704
Road	192 654 125	( 78 139 378)	114 514 747	192 535 400	( 72 322 873)	120 212 527
Solid waste	6 548 507	( 5 360 787)	1 187 720	6 548 507	( 5 076 620)	1 471 887
Cemeteries	3 972 078	( 1 789 001)	2 183 078	3 972 078	( 1 541 892)	2 430 186
WIP Buildings	25 736	-	25 736	7 721 944	-	7 721 944
WIP Electricity	9 649 333	-	9 649 333	384 032	-	384 032
WIP Roads	17 492 548	-	17 492 548	5 242 149	-	5 242 149
WIP Land Fill Site	-	-	-	0	-	-
WIP Cemeteries	-	-	-	0	-	-
Furniture and equipment	5 276 787	( 3 942 775)	1 334 012	4 932 415	( 3 572 693)	1 359 722
Computer equipment	7 137 225	( 4 815 117)	2 322 108	6 140 950	( 4 345 247)	1 795 703
Machinery and equipment	25 904 245	( 12 409 036)	13 495 209	25 429 791	( 10 897 616)	14 532 175
Transport Assets	16 983 415	( 10 522 901)	6 460 515	16 895 958	( 9 436 595)	7 459 363
Lease Assets	9 300	( 9 141)	159	9 300	( 9 061)	239
Housing letting schemes	307 630	( 214 573)	93 057	307 630	( 192 362)	115 268
	510 026 617	( 173 235 101)	336 791 515	485 595 444	( 158 416 243)	327 179 201

**Expenditure incurred to repair and maintain Property, plant and equipment**

Repairs and maintenances to the value of R 5 421 178 (R7 776 120 - 2021) was incurred to repair and maintain property plant and equipment.

**Property, plant and equipment that is taking a significantly longer period of time to complete than expected**

**Infrastructure Assets**

**Roads**

Reconstruction of Argyll/ Browning 13 865 010.72

Upgrading of Gravel roads/ Asphalt road in Sithembile (Marikana) 7 697 417.73

**Electricity**

Upgrade of Sibongile Substation 2 243 114.95

The Argyll/Browning road construction project was delayed due to abnormal weather conditions and rains

The Upgrading of gravel roads/ asphalt road in Sithembile (Marikana) was delayed as the contract was terminated. The project was re-advertised due to non performance of the contractor

The upgrade of the Sibongile substation was delayed as the shipping of the switchgear raw materials from abroad did not arrive due to covid restrictions.

The manufacturing was further delayed by the floods in KZN that affected the manufacturers premises.



**Reconciliation of property, plant and equipment - 2022**

	Opening Balance	Additions	Donated Assets	Transfers	Disposals	Depreciation	Impairment (loss)	Total
Land	68 510 244	-	-	-	-	-	-	68 510 244
Community Asset (Buildings)	69 883 378	163 511	-	8 426 888	-	( 3 474 297)	( 235 639)	74 763 841
Electricity	25 918 704	-	-	-	-	( 1 278 896)	( 22 279)	24 617 529
Road	120 212 527	-	-	118 725	-	( 5 816 471)	( 34)	114 514 747
Solid waste	1 471 887	-	-	-	-	( 284 167)	-	1 187 720
Cemeteries	2 430 186	-	-	-	-	( 247 108)	-	2 183 078
WIP Buildings	7 863 624	1 195 063	-	( 8 891 271)	-	-	-	167 416
WIP Electricity	384 032	9 265 300	-	-	-	-	-	9 649 333
WIP Roads	5 242 149	12 250 398	-	-	-	-	-	17 492 548
WIP Land Fill Site	-	-	-	-	-	-	-	-
WIP Cemeteries	-	-	-	-	-	-	-	-
Furniture and equipment	1 359 722	184 707	-	159 665	-	( 370 082)	-	1 334 012
Computer equipment	1 795 703	885 444	209 195	-	( 10 004)	( 556 822)	( 1 407)	2 322 108
Machinery and equipment	14 532 175	593 205	-	185 993	( 195 708)	( 1 620 457)	-	13 495 209
Transport Assets - restated	7 459 363	87 458	-	-	-	( 1 086 306)	-	6 460 515
Lease Assets	239	-	-	-	-	( 80)	-	159
Housing letting schemes	115 268	-	-	-	-	-	( 22 211)	93 057
	<b>327 179 201</b>	<b>24 625 086</b>	<b>209 195</b>	<b>( 0)</b>	<b>( 205 711)</b>	<b>( 14 734 684)</b>	<b>( 281 571)</b>	<b>336 791 515</b>

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

	Opening Balance	Additions	Donations	Disposals	Transfers	Depreciation	Impairment (loss)	Total
Land - restated	68 240 244	-	270 000	-	-	-	-	68 510 244
Community Asset (Buildings)	68 970 940	1 835 010	1 232 221	( 1 421 236)	3 578 394	( 3 272 570)	( 1 039 380)	69 883 378
Electricity	27 084 350	685 753	-	( 1 158 449)	961 023	( 1 292 106)	( 361 866)	25 918 704
Road	117 173 985	7 552 737	-	-	1 131 079	( 5 645 274)	-	120 212 527
Solid waste	1 818 851	-	-	( 431)	-	( 346 534)	-	1 471 887
Cemeteries	2 683 091	-	-	-	-	( 252 905)	-	2 430 186
WIP Buildings	5 261 330	6 180 688	-	-	( 3 578 394)	-	-	7 863 624
WIP Electricity	961 023	384 032	-	-	( 961 023)	-	-	384 032
WIP Roads	3 065 378	3 418 536	-	( 110 686)	( 1 131 079)	-	-	5 242 149
WIP Land Fill Site	-	-	-	-	-	-	-	-
WIP Cemeteries	-	-	-	-	-	-	-	-
Furniture and equipment	1 578 441	169 291	-	( 3 455)	-	( 378 395)	( 6 160)	1 359 722
Computer equipment	1 412 661	870 207	10 503	( 8 084)	-	( 475 044)	( 14 539)	1 795 703
Machinery and equipment	11 128 461	4 963 866	-	( 38 050)	-	( 1 502 155)	( 19 947)	14 532 175
Transport Assets	6 075 479	2 418 894	-	( 13 003)	-	( 1 020 852)	( 1 155)	7 459 363
Lease Assets	327	-	-	-	-	( 88)	-	239
Housing letting schemes	115 268	-	-	-	-	-	-	115 268
	<b>315 569 829</b>	<b>28 479 014</b>	<b>1 512 723</b>	<b>( 2 753 394)</b>	<b>( 0)</b>	<b>( 14 185 924)</b>	<b>( 1 443 047)</b>	<b>327 179 201</b>

Details of property, plant and equipment are included in a register which is available for inspection at the municipal offices.  
Refer to Note 35 for prior period errors

ENDUMENI LOCAL MUNICIPALITY  
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

8 INTANGIBLE ASSETS

	2022			2021		
	Cost	Accumulated amortisation and impairment	Carrying value	Cost	Accumulated amortisation and impairment	Carrying value
Computer software and other	4 306 648	( 2 386 556)	1 920 093	4 306 648	( 1 708 831)	2 597 817
	4 306 648	( 2 386 556)	1 920 093	4 306 648	( 1 708 831)	2 597 817

Reconciliation of intangible assets - 2022

	Opening Balance	Additions	Disposals	Transfers	Amortisation	Impairment(loss) s)/reversal	Total
Computer software and other	2 597 817	-	-	-	( 677 724)	-	1 920 093
	2 597 817	-	-	-	( 677 724)	-	1 920 093

Reconciliation of intangible assets - 2021

	Opening Balance	Additions	Disposals	Transfers	Amortisation	Impairment(loss) s)/ reversal	Total
Computer software and other	1 746 528	1 364 122	-	-	( 512 832)	-	2 597 817
	1 746 528	1 364 122	-	-	( 512 832)	-	2 597 817

ENDUMENI LOCAL MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

9 INVESTMENT PROPERTY CARRIED AT FAIR VALUE

	2022			2021		
	Cost	Fair Value Adjustments	Carrying value	Cost	Fair Value Adjustments	Carrying value
Investment properties	104 006 779	13 400 221	117 407 000	103 983 779	23 000	104 006 779
	<u>104 006 779</u>	<u>13 400 221</u>	<u>117 407 000</u>	<u>103 983 779</u>	<u>23 000</u>	<u>104 006 779</u>

Reconciliation of investment properties assets - 2022

	Opening Balance	Donated assets	Fair value adjustment	Disposals	Total
Investment properties	104 006 779	-	13 400 221	-	117 407 000
	<u>104 006 779</u>	<u>-</u>	<u>13 400 221</u>	<u>-</u>	<u>117 407 000</u>

Reconciliation of investment properties assets - 2021

	Opening Balance	Donated assets	Fair value adjustment	Disposals	Total
Investment properties	102 426 000	1 557 779	23 000	-	104 006 779
	<u>102 426 000</u>	<u>1 557 779</u>	<u>23 000</u>	<u>-</u>	<u>104 006 779</u>

The investment property values are based on the valuation roll. The valuation roll was implemented with effect from 1 July 2017. Valuations were performed by an independent valuer, Mr Philip Carl Jacobs, Professional Valuer, Registration number 5375, of Umhlaba Geomatics Incorporated of Dundee. The valuer is not connected to the municipality and have recent experience in the location and category of the investment property being valued. The valuation was based on open market value.

Rental income from these properties amount to  
No amounts were expensed towards repairs and maintenance.

3 867 981      948 883

Details of investment properties are included in a register which is available for inspection at the municipal offices

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

	2022	2021 RESTATED
	R	R
<b>10 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade creditors	86 884 577	20 551 541
Payments received in advance	30 086 676	5 911 297
Retentions	3 221 305	2 913 817
Staff leave accrual	14 053 349	11 952 935
Deposits - other	148 769	153 694
Other creditors	3 373 707	3 610 337
<b>Total</b>	<b>137 768 383</b>	<b>45 093 621</b>

The fair value of trade and other payables approximates their carrying amounts.

**11 CONSUMER DEPOSITS**

Consumer deposits: electricity	5 517 891	5 296 008
Guarantees held in lieu of electricity deposits	153 210	153 210

**12 VAT PAYABLE**

VAT payable	5 501 747	8 949 471
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

**13 PROVISIONS**

**Provision for Long-Service Awards**

Opening Balance	6 044 977	5 297 212
Contribution to provision	1 297 646	1 337 040
Expenditure incurred	( 738 464)	( 589 274)
<b>Balance at the end of year</b>	<b>6 604 159</b>	<b>6 044 978</b>

Current Provision	889 588	716 744
Non Current Provision	5 714 571	5 328 234
	<b>6 604 159</b>	<b>6 044 978</b>

The long-service award is payable after every 5 years of completed service and thereafter after 5 year intervals of continuous service.

**Provision for Rehabilitation of Landfill Sites**

Opening Balance	11 164 927	10 853 531
Change in obligation (Site life, discount rate and assumptions)	( 2 373 082)	-
Interest cost	781 545	311 396
<b>Balance at the end of year</b>	<b>9 573 390</b>	<b>11 164 927</b>

Current Provision	1 057 860	-
Non Current Provision	8 515 530	11 164 927
	<b>9 573 390</b>	<b>11 164 927</b>

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 7%, over an average period of 10.8 years.

The provision created for the rehabilitation of the landfill site is based on Anderson Vogt Consulting Engineers assessment of the rehabilitation costs of the Glencoe dumpsite. A study will be done to determine the cost estimate in the near future

The provision is calculated in line with the consulting engineers assessment as determined by discounting the present value of the estimate. The estimate excludes VAT. Council intends to commence spending against the provision in 10.8 years.

**CURRENT PROVISIONS**

Current portion of long-service provision	889 588	716 744
Current portion of Rehabilitation of Landfill site provision	1 057 860	-
<b>Total Current Provisions</b>	<b>1 947 448</b>	<b>716 744</b>

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

	2022	2021 RESTATED
	R	R
<b>NON-CURRENT PROVISIONS</b>		
Provision for rehabilitation of landfill sites	8 515 530	11 164 927
Provision for long-service awards	5 714 571	5 328 234
<b>Total Non-Current Provisions</b>	<b>14 230 101</b>	<b>16 493 160</b>

**14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**  
**Conditional Grants from other spheres of Government**

SETA Grant	332 748	403 414
Expanded Public Works Program	24 921	-
Sibongile Dundee Cyber Cadet Grant	-	149 068
Rural Horse Riding Grant	-	20 494
Upgrade Sibongile Hostel	561 951	547 202
Ext 18 Housing Project	206 365	206 365
Upgrade Sithembile Hostel	457 478	445 364
Training of councillors	-	11 102
Pound Grant	132 259	132 259
Sports Grant	-	1 506
Integrated National Electrification Programme grant	1 116 930	-
Steenkoolspruit Trans. Project	353 854	-
Massification Programme Grant	2 821 647	1 300 244
Building Plan Man. System	70 000	70 000
Greenest Municipality Competition	30 344	375 000
<b>Total Unspent Conditional Grants and Receipts</b>	<b>6 108 497</b>	<b>3 662 017</b>

**14.1 Municipality acting as Agent**

**Endumeni Municipality acting as the Agent for Eskom (INEP)**

The municipality entered into an arrangement with Eskom whereby the municipality acted as an agent for the Mpilonde phase 1 and 2, the Mtshilwane and the Ntokozweni electrification projects. The municipality manages the construction of electrical infrastructure projects in areas not covered by Endumeni's licence. The municipality received the INEP allocation, accepts invoices for work done from service providers and manages the payment process on behalf of Eskom and hands over the infrastructure upon completion. A reconciliation of the funds received and paid and any outstanding balances are disclosed below.

Expenditure paid or incurred on behalf of the principal	4 605 119	-
Liabilities held on behalf of the principal		
Unspent grants held on behalf of Eskom	363 636	4 328 137
Funds transferred to Revenue Fund	-	( 4 328 137)
Closing Balance	363 636	-

All risks will be the responsibility of the municipality until the project is handed over to Eskom. The project start date is 1st August 2021 and completion date is 30 November 2022. A memorandum of understanding with the terms and conditions has been entered into between the municipality and Eskom

**15 HOUSING DEVELOPMENT FUND RESERVE**

Housing Operating Account	4 894 320	4 754 170
	<b>4 894 320</b>	<b>4 754 170</b>

The housing development fund is represented by the following assets & liabilities:

Fixed assets	93 057	115 268
Debtors	4 241 713	4 094 390
Cash at bank	559 550	544 512
<b>Total Housing Operating Account Assets and Liabilities</b>	<b>4 894 320</b>	<b>4 754 170</b>

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

	2022	2021
	R	RESTATED R
<b>16 OTHER RESERVES</b>		
Insurance Reserve	2 183 727	2 233 535
	<b>2 183 727</b>	<b>2 233 535</b>
The insurance reserve has been ring fenced within accumulated surplus		
Opening balance	2 233 535	2 356 153
Expenditure	( 30 239)	-
Transfers to accumulated surplus	( 19 570)	( 122 617)
Closing balance	<b>2 183 727</b>	<b>2 233 535</b>

**17 PROPERTY RATES**

**Actual**

Agriculture properties	5 702 318	5 457 826
Business and Commercial properties	29 036 972	27 018 291
Industrial properties	10 440 513	9 938 323
Mining properties	610 853	580 995
Public service infrastructure	233 868	212 417
Public service purposes	15 687 110	14 491 477
Residential Properties	65 578 739	60 591 289
Vacant Property	4 872 693	4 716 874
Revenue foregone	( 37 727 559)	( 30 175 515)

**Total**

	<b>94 435 506.36</b>	<b>92 831 977</b>
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**Valuations**

Agriculture properties	1 227 857 000	1 226 847 000
Business and Commercial properties	596 183 000	593 270 000
Cemetery (Private)	498 000	498 000
Industrial properties	212 374 000	212 709 000
Mining properties	12 441 000	12 441 000
Municipal properties	303 463 000	302 153 000
Public Benefits Organisation	115 130 000	115 130 000
Public service infrastructure	49 759 000	49 759 000
Public service purposes	273 031 000	276 095 000
Residential Properties	3 562 789 500	3 524 329 500
Worship Residential	58 371 000	85 202 000
Vacant Property	85 202 000	58 893 000

**Total Property Valuations**

	<b>6 497 098 500</b>	<b>6 457 326 500</b>
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The last general valuation came into effect on:

	01/07/2017	01/07/2017
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Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 with effect from 01/07/2017.

Interim valuations are processed on a quarterly basis to take into account changes in individual land values due to consolidations and subdivisions.

Assessment rates: Cents in the rand on market valuation as follows:

Agriculture properties	0.4700c/R	0.4500c/R
Business and commercial properties	4.9100c/R	4.6700c/R
Industrial properties	4.9200c/R	4.6800c/R
Mining properties	4.9100c/R	4.6700c/R
Public service properties	5.5800c/R	5.3100c/R
Public service infrastructure	0.4700c/R	0.4500c/R
Residential properties	1.8700c/R	1.7800c/R
Vacant properties	11.2400c/R	10.7000c/R

The first R15 000 of the valuation of residential properties are exempt from the calculation of rates.

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

	2022	2021
	R	RESTATED R
<b>Rebates:</b>		
Agricultural property	60%	60%
Smallholdings	10%	20%
Business and commercial properties	12%	12%
Industrial properties	12%	12%
Residential properties	22%	22%
Public service infrastructure	100%	100%
Pensioners (Earning R4500 per month)	25%	25%
Pensioners (Earning R4501 - R5000 per month)	20%	20%
Pensioners (Earning R5001 - R5500 per month)	15%	15%
Pensioners (Earning R5501 - R6500 per month)	10%	10%

Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004 for the 2021 financial year):

On a monthly basis, and the final dates of payment being the last working day of the month from August 2021 to June 2022.

Interest is levied on outstanding rates per annum at:	12%	12%
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**18 SERVICE CHARGES**

Sale of electricity	133 349 942	125 720 718
Refuse removal	26 017 949	24 775 919
Indigent Support - Electricity	( 252 306)	( 199 482)
Indigent Support - Refuse Removal	( 3 136 896)	( 2 229 240)
<b>Total Service Charges</b>	<b>155 978 689</b>	<b>148 067 915</b>

**19 RENTAL OF FACILITIES AND EQUIPMENT**

Rental of facilities and equipment	3 867 981	948 883
Other rentals	-	-
<b>Total Rentals</b>	<b>3 867 981</b>	<b>948 883</b>

**20 INTEREST EARNED - EXTERNAL INVESTMENTS**

Bank	811 958	816 058
Financial assets	-	-
Other	-	-
<b>Total Interest</b>	<b>811 958</b>	<b>816 058</b>

**21 TRANSFERS AND SUBSIDIES**

Equitable Share	53 751 000	60 047 000
Municipal Infrastructure Grant	15 836 000	18 042 000
Financial Management Grant	2 100 000	2 200 000
Library Subsidy	4 424 000	4 256 000
LGSETA Grant	311 007	400 980
Sibongile Dundee Cyber Cadet grant	634 813	571 108
Museum Subsidy	515 000	488 000
Integrated National Electrification Programme Grant	8 388 951	-
Expanded Public Works Programme	1 564 079	1 433 000
Small Town Rehabilitation Grant	-	570 290
Energy Efficiency Demand Grant	-	3 599 400
Steenkoolspruit Project	946 146	-
Massification Programme Grant	78 596	1 834 484
Greenest Municipality	344 656	-
<b>Total Government Grant and Subsidies</b>	<b>88 894 248</b>	<b>93 442 262</b>

**Equitable Share**

Balance unspent at beginning of year	-	-
Current year receipts	53 751 000	60 047 000
Transferred to revenue	( 53 751 000)	( 60 047 000)

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

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

**Municipal Infrastructure Grant**

Balance unspent at beginning of year	-	2 928 707
Current year receipts	15 836 000	15 137 000
Conditions met - transferred to revenue	( 15 836 000)	( 18 042 000)
Transferred to sundry revenue	-	( 23 707)
Funds transferred to Revenue Fund	-	-

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

-	( 0)
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**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

	2022	2021
	R	RESTATED R
<p>This grant is used to improve/establishment of infrastructure. No Funds were withheld</p>		
<b>Financial Management Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	2 100 000	2 200 000
Conditions met - transferred to revenue	( 2 100 000)	( 2 200 000)
Conditions still to be met-transferred to liabilities (see note 14)	-	-
<p>This grant is directed towards improving compliance, implementation and management of the MFMA and Supporting reforms. No funds were withheld.</p>		
<b>Library subsidy</b>		
Balance unspent at beginning of year	-	-
Current year receipts	4 424 000	4 256 000
Conditions met - transferred to revenue	( 4 424 000)	( 4 256 000)
Conditions still to be met-transferred to liabilities (see note 14)	-	-
<p>This subsidy is in respect of the municipal library services.</p>		
<b>LGSETA grant</b>		
Balance unspent at beginning of year	403 414	670 611
Current year receipts	240 341	133 783
Conditions met - transferred to revenue	( 311 007)	( 400 980)
Conditions still to be met-transferred to liabilities (see note 14)	332 748	403 414
<p>This grant is in respect of skills training for municipal staff. No Funds were withheld</p>		
<b>Museum Grant</b>		
Balance unspent at beginning of year	-	1 965
Current year receipts	-	-
Transferred to sundry revenue	-	( 1 965)
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 14)	-	-
<p>The grant was for the upgrade of infrastructure at the museum. No funds were withheld.</p>		
<b>Steenkoolspruit Project</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 300 000	-
Conditions met - transferred to revenue	( 946 146)	-
Conditions still to be met-transferred to liabilities (see note 15)	353 854	-
<p>This grant was used for the steenkoolspruit river transformation project. No funds were withheld.</p>		
<b>Cyber Cadet grant</b>		
Balance unspent at beginning of year	149 068	262 322
Current year receipts	485 745	457 854
Conditions met - transferred to revenue	( 634 813)	( 571 108)
Conditions still to be met-transferred to liabilities (see note 14)	-	149 068
<p>This grant is for the Cyber Cadets. No funds were withheld.</p>		



**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

	2022	2021 RESTATED
	R	R
<b>Department of Sports grant</b>		
Balance unspent at beginning of year	1 506	1 506
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	-	-
Transferred to sundry revenue	( 1 506)	-
	-	1 506
Conditions still to be met-transferred to liabilities (see note 14)	-	1 506
This grant is intended for the building of a sports facility. No funds were withheld.		
<b>Museum subsidy</b>		
Balance unspent at beginning of year	-	-
Current year receipts	515 000	488 000
Expenditure claimed in accordance with grant conditions	( 515 000)	( 488 000)
	-	-
Conditions still to be met-transferred to liabilities (see note 14)	-	-
This subsidy is to fund museum services. No funds were withheld.		
<b>KZN Housing - Sibongile hostel</b>		
Balance unspent at beginning of year	547 202	534 059
Current year receipts	14 749	13 143
Expenditure claimed in accordance with grant conditions	-	-
	561 951	547 202
Conditions still to be met-transferred to liabilities (see note 14)	561 951	547 202
This grant is for the upgrade of the Sibongile hostel. No funds were withheld.		
<b>KZN Housing - Ext 18 housing project</b>		
Balance unspent at beginning of year	206 365	206 365
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	-	-
	206 365	206 365
Conditions still to be met-transferred to liabilities (see note 14)	206 365	206 365
This grant is for the upgrade of the Extension 18 housing project. No funds were withheld.		
<b>KZN Housing - Upgrade of Sithembile Hostel</b>		
Balance unspent at beginning of year	445 364	434 688
Current year receipts	12 114	10 676
Expenditure claimed in accordance with grant conditions	-	-
	457 478	445 364
Conditions still to be met-transferred to liabilities (see note 14)	457 478	445 364
This grant is for the upgrade of Sithembile hostel. No funds were withheld.		
<b>Energy Efficiency and Demand Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	3 599 400
Expenditure claimed in accordance with grant conditions	-	( 3 599 400)
	-	-
Conditions still to be met-transferred to liabilities (see note 14)	-	-
This grant is for the implementation of energy efficiency measures in municipal facilities within the municipal area of jurisdiction. No funds were withheld.		

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

	2022	2021
	R	RESTATED R
<b>Department of Cooperative Governance and Traditional Affairs - Training of Councillor Grant</b>		
Balance unspent at beginning of year	11 102	11 102
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	-	-
Transferred to sundry revenue	( 11 102)	-
Conditions still to be met-transferred to liabilities (see note 14)	-	11 102

This grant is for the training of Councillors.  
No funds were withheld.

**Department of Cooperative Governance and Traditional Affairs - Pound Grant**

Balance unspent at beginning of year	132 259	132 259
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 14)	132 259	132 259

This grant is for the establishment of a municipal pound.  
No funds were withheld.

**Department of National Energy - Integrated National Electrification Programme**

Balance unspent at beginning of year	-	4 328 137
Current year receipts	14 111 000	-
Expenditure claimed in accordance with grant conditions	( 8 388 951)	-
Expenditure claimed as agent	( 4 605 119)	-
Funds transferred back to Revenue Fund		( 4 328 137)
Conditions still to be met-transferred to liabilities (see note 14)	1 116 930	-

This grant is for the Integrated National Electrification Programme increasing access to electricity specially in rural areas. See note 14 for INEP funds received by the municipality in which the Endumeni Municipality is an Agent in an agent principal arrangement.

**Department of Environmental Affairs - Transfer station**

Balance unspent at beginning of year	-	9 063
Current year receipts	-	180
Transferred to sundry revenue	-	( 9 242)
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 14)	-	-

The grant is for improvement of public participation. No funds were withheld.

**Dept of Public Works - Expanded Public Works Programme**

Balance unspent at beginning of year	-	111 341
Current year receipts	1 589 000	1 335 000
Conditions met - transferred to revenue	( 1 564 079)	( 1 433 000)
Funds transferred back to Revenue Fund		( 13 341)
Conditions still to be met-transferred to liabilities (see note 14)	24 921	-

This grant is for Local Economic Development.  
No funds were withheld.

**Small town rehabilitation grant**

Balance unspent at beginning of year	-	560 700
Current year receipts	-	9 590
Conditions met - transferred to revenue	-	( 570 290)
Conditions still to be met-transferred to liabilities (see note 14)	-	-

This grant is intended for the commercialisation of mixed agricultural projects and rehabilitation of parks. No funds were withheld.

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

	2022	2021 RESTATED
	R	R
<b>Rural Horse Riding Grant</b>		
Balance unspent at beginning of year	20 494	20 005
Current year receipts	455	489
Conditions met - transferred to revenue	-	-
Transferred to sundry revenue	( 20 949)	-
Conditions still to be met-transferred to liabilities (see note 14)	-	20 494

This grant was for the upgrade of infrastructure at the racetrack. No funds were withheld.

**Building Plan Man. System**

Balance unspent at beginning of year	70 000	70 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 14)	70 000	70 000

To help rollout a pilot building plans Information Management System at Endumeni Municipality. No funds were withheld.

**Massification Programme Grant**

Balance unspent at beginning of year	1 300 244	3 134 728
Current year receipts	1 600 000	-
Conditions met - transferred to revenue	( 78 596)	( 1 834 484)
Conditions still to be met-transferred to liabilities (see note 14)	2 821 647	1 300 244

This grant is for the purchase of Yellow Plant and to supplement the Municipal Electrification Programme.

**Disaster Relief Grant**

Balance unspent at beginning of year	-	704 591
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Funds transferred back to Revenue Fund	-	( 704 591)
Conditions still to be met-transferred to liabilities (see note 14)	-	-

This grant is to assist in response to COVID 19. Unspent funds were transferred back to Revenue fund.

**Greenest Municipality Grant**

Balance unspent at beginning of year	375 000	-
Current year receipts	-	375 000
Conditions met - transferred to revenue	( 344 656)	-
Funds transferred back to Revenue Fund	-	-
Conditions still to be met-transferred to liabilities (see note 14)	30 344	375 000

This grant is to assist in enhancing the performance of the municipality

**22 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS**

**22 Other Income**

Burial fees	192 877	179 982
Discount received	-	-
Land Sales	-	2 000
Other operational income	207 768	7 078 083
<b>Total Other Income</b>	<b>400 645</b>	<b>7 260 066</b>

**22 Public contributions and donations**

Public contributions - Conditional	-	-
Public contributions - Unconditional	-	-
Donations	209 195	3 070 503
<b>Total public contributions and donations</b>	<b>209 195</b>	<b>3 070 503</b>

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

	2022	2021
	R	RESTATED R
<b>23 EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and Wages	84 543 659	76 725 264
Acting allowance	545 367	523 394
Performance and other bonuses	6 645 299	5 924 783
Casual labour	2 508 578	2 441 557
Contribution to leave reserve	3 093 742	3 310 491
Group Life	254 587	270 355
Leave	230 521	302 028
Medical Aid	6 531 620	6 444 989
Housing allowances	721 242	1 159 714
Overtime payments	3 219 154	3 205 688
Pension	15 149 012	13 668 054
SALGA Shop fee	290 705	43 214
Standby Allowance	3 044 111	2 043 162
Sundry Allowance	1 686 694	444 740
Transport allowance	5 774 838	5 438 077
UIF	739 884	628 470
Cellphone Allowance	356 445	338 852
Scarcity allowance	252 000	282 000
<b>Total</b>	<b>135 587 459</b>	<b>123 194 831</b>

**Remuneration of the Municipal Manager**

Annual Remuneration	1 324 577	1 107 747
Leave conversion	75 219	-
Acting Allowance	52 210	-
Travel or motor vehicle allowance	66 000	84 011
Performance- and other bonuses	-	-
Cellphone allowance	24 200	26 400
Contributions to UIF, Medical and Pension Funds	2 062	1 932
<b>Total</b>	<b>1 544 267</b>	<b>1 220 090</b>

The Municipal Manager position was filled in January 2019 and became vacant in May 2022 after a settlement agreement was reached. An Acting Municipal Manager was appointed on the 13th May 2022 and the above remuneration includes an acting allowance for the manager acting in the position of Municipal Manager during the period that the position was vacant.

**Remuneration of the Chief Finance Officer**

Annual Remuneration	660 000	660 000
Leave conversion	-	-
Acting Allowance	-	-
Performance- and other bonuses	-	-
Housing allowance	82 001	65 671
Cell phone allowance	14 400	14 400
Travel or motor vehicle allowance	120 000	129 563
Contributions to SALGA, UIF, Medical and Pension Funds	178 326	178 009
<b>Total</b>	<b>1 054 727</b>	<b>1 047 643</b>

The Chief Financial Officer position was filled in September 2019.

**Remuneration of the Executive Manager Technical Services**

Annual Remuneration	816 540	816 540
Leave conversion	-	-
Acting Allowance	-	-
Performance- and other bonuses	-	-
Housing Allowances	73 370	67 913
Cell phone allowance	14 400	14 400
Travel or motor vehicle allowance	92 054	93 218
Contributions to UIF, Medical and Pension Funds	58 363	55 572
<b>Total</b>	<b>1 054 727</b>	<b>1 047 643</b>

The Executive Manager Technical Services position was filled in November 2019.

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

	2022	2021
	R	RESTATED R
<b>Remuneration of the Executive Manager Corporate Services</b>		
Annual Remuneration	768 000	768 000
Leave conversion		-
Acting Allowance		-
Performance- and other bonuses		-
Housing allowance		-
Cell phone allowance	14 400	14 400
Travel or motor vehicle allowance	131 838	125 071
Contributions to UIF, Medical and Pension Funds	140 489	140 172
<b>Total</b>	<b>1 054 727</b>	<b>1 047 643</b>

The position of the Executive Manager Corporate Services was filled in November 2019.

<b>Remuneration of the Executive Manager Planning and Development</b>		
Annual Remuneration	720 000	720 000
Leave conversion	-	-
Acting Allowance	-	-
Performance- and other bonuses	-	-
Housing allowance	30 132	23 329
Cell phone allowance	14 400	14 400
Travel or motor vehicle allowance	108 000	110 346
Contributions to UIF, Medical and Pension Funds	182 195	179 567
<b>Total</b>	<b>1 054 727</b>	<b>1 047 641</b>

The position of the Executive Manager Planning and Development was filled in September 2019.

<b>Remuneration of the Executive Manager Community Services</b>		
Annual Remuneration	660 000	220 000
Cell phone allowance	14 400	4 800
Travel or motor vehicle allowance	113 398	37 886
Contributions to UIF, Medical and Pension Funds	121 049	40 263
<b>Total</b>	<b>908 847</b>	<b>302 949</b>

The position of the Executive Manager Community Services is a new position and was filled in March 2021

**24 REMUNERATION OF COUNCILLORS**

Mayor	513 098	521 048
Deputy Mayor	150 981	424 998
Speaker	420 532	424 998
Executive Committee Member	662 417	400 993
Councillors	2 206 609	2 062 009
Councillors' travel allowances	181 982	408 645
Cell phone allowance	348 644	358 453
<b>Total Councillors' Remuneration</b>	<b>4 484 263</b>	<b>4 601 145</b>

**In-kind Benefits**

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

The Mayor has use of the Council owned vehicle for official duties. The Mayor has a driver and bodyguards and 24 hour security. The Speaker has a driver and bodyguards and 24 hour security. The deputy Mayor has a driver and security at night only.

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

	2022	2021
	R	RESTATED R
<b>25 DEPRECIATION AND AMORTISATION EXPENSE</b>		
Property, plant and equipment	14 734 684	14 185 924
Intangible assets	677 724	512 832
<b>Total Depreciation and Amortisation</b>	<b>15 412 409</b>	<b>14 698 756</b>
<b>26 BULK PURCHASES</b>		
Electricity	145 803 039	116 978 978
<b>Total Bulk Purchases</b>	<b>145 803 039</b>	<b>116 978 978</b>
<b>27 CONTRACTED SERVICES</b>		
<b>Outsourced Services</b>		
Meter auditing	-	230 472
Prepaid Vending	1 772 791	1 728 863
Other Contracted services	653 647	156 906
<b>Contractors</b>		
Maintenance of Buildings and Facilities	5 421 178	6 236 011
<b>Consultants and Professional Services</b>		
Legal Expenses	1 063 136	2 467 836
Audit Committee	98 273	56 536
Audit Fees & Internal Audit Fees	3 690 852	3 519 144
	<b>12 699 877</b>	<b>14 395 768</b>
<b>28 OPERATIONAL COSTS</b>		
Included in operational costs are the following:-		
Advertising	139 891	276 230
Amendments To Acts & Ord.	4 090	455
Bank Charges	697 509	999 562
H I V Aids	85 308	18 319
Insurance	1 083 864	1 103 169
Interest	1 715 436	-
Lease Payments	750 170	607 576
Materials	1 582 950	2 015 442
Membership Fees Kwanaloga	1 299 125	1 353 076
Meter Reading Fees	5 499	131 769
National Cleanest Town Compet	91 924	85 223
New Connections	114 143	365 833
Postages	272 796	365 294
Printing & Stationery	862 775	696 742
Prodiiba - License card Payments	331 642	365 849
Marketing/ Civic presentation	433 108	528 324
Rural Horse Riding Event	273 345	-
Security	13 469 637	11 195 330
Service Of Process	-	52 324
Sport, Youth, Arts And Culture	798 386	402 852
Staff Training and Levy	94 347	33 257
Subsistence & Travelling	495 680	184 277
Telephone	1 888 022	1 743 330
Traffic Control	18 586	100
Transport Cost	7 851 502	4 610 701
Valuation Fees	1 355 075	300 728
Other General Expenses	6 820 262	13 307 390
Technical Support	581 136	325 729
Planning and economic development	804 951	875 439
Transfers to organisations	631 072	320 000
Transfers and subsidies	3 598 655	4 899 840
Write-off of inventory	77 310	58 576
	<b>48 228 195</b>	<b>47 222 735</b>
<b>29 GAIN / (LOSS) ON WRITE-OFF OF ASSETS</b>		
Property, plant and equipment	( 205 711)	( 2 753 394)
Investment property	-	-
Intangible assets	-	-
<b>Total Gain / (Loss) on Write-off of Assets</b>	<b>( 205 711)</b>	<b>( 2 753 394)</b>

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

	2022	2021 RESTATED
	R	R
<b>30 (IMPAIRMENT LOSS) / REVERSAL OF IMPAIRMENT LOSS</b>		
Property, plant and equipment	( 281 571)	( 1 443 047)
Intangible assets	-	-
Consumable Stores Impairment Loss	( 10 444)	158 577
<b>Total Impairment loss / (Reversal of Impairment Loss)</b>	<b>( 292 015)</b>	<b>( 1 284 471)</b>

During the financial period a physical verification of assets was undertaken. Assets identified during the physical verification that is deemed to be in a very poor physical condition was tested for possible impairment. As a result, 186 assets were tested for impairment, and additional impairment losses amounting to R 281 571 were recognised in respect of 12 of these assets

**31 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT**

Investment property carried at fair value	13 400 221	23 000
Other newly identified assets	-	-
<b>Total Profit / (Loss) on Fair Value Adjustment</b>	<b>13 400 221</b>	<b>23 000</b>

**32 CASH GENERATED BY OPERATIONS**

Surplus/(deficit) for the year	23 282 386	( 9 465 141)
Adjustment for:-		
Depreciation	14 734 684	14 185 924
Amortisation	677 724	512 832
(Gain) / loss on sale of assets	205 711	2 753 394
Contribution to retirement benefit obligation and Long Service	2 494 568	10 111 780
Contribution paid retirement benefit obligation and Long Service	( 3 329 443)	( 3 222 642)
Contribution to landfill site provision	( 1 591 537)	311 396
Contribution to bad debt provision	( 24 202 496)	22 598 741
Bad Debt written off	-	10 214 944
Contribution to leave provision	3 093 742	2 674 506
Less Leave paid	( 993 328)	-
Straightlining of leases	-	459
Fair value adjustments	( 13 400 221)	( 23 000)
Impairment loss / (reversal of impairment loss)	281 571	1 443 047
Impairment loss / (reversal of impairment loss) on inventory	10 444	( 158 577)
Donations	( 209 195)	( 3 070 503)
Reserve income	109 911	( 4 525)
Interest earned	( 811 958)	( 816 058)
<b>Operating surplus before working capital changes:</b>	<b>352 564</b>	<b>48 046 579</b>
(Increase)/decrease in inventories	( 2 293 414)	281 786
(Increase)/decrease in trade receivables	( 19 159 383)	( 19 473 294)
(Increase)/decrease in other receivables	( 30 064 448)	( 22 381 806)
Increase/(decrease) in VAT payable	( 3 447 723)	7 649 807
Increase/(decrease) in conditional grants and receipts	2 446 480	( 10 460 129)
Increase/(decrease) in trade payables	90 574 348	4 718 013
<b>Cash generated by/(utilised in) operations</b>	<b>38 408 424</b>	<b>8 380 956</b>

**33 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	9 363 770	2 429 916
Short-term deposits	18 966 466	11 208 252
<b>Net cash and cash equivalents</b>	<b>28 330 236</b>	<b>13 638 168</b>

**34 CHANGE IN ACCOUNTING POLICY**

There were no adjustments made to prior years due to change in accounting policy in the current reporting period,

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

2022	2021
R	RESTATED R

**35 PRIOR PERIOD ERROR**

**PAYABLES FROM EXCHANGE**

**Expenditure erroneously not recorded in the prior year**

During the financial year, invoices for SIU Investigations, bank charges and other operational expenditure that was incurred in the prior year was presented late and erroneously not recorded as expenditure in the prior year. An adjustment was therefore necessary to restate the expenditure in the prior year and a corresponding adjustment was made to accruals/payables and vat. The effect of the restatement is presented below.

**PAYABLES FROM EXCHANGE**

**Balance previously reported 30 June 2021**

42 948 005

Expenditure erroneously not accounted for In prior year

2 145 616

**Net effect on Statement of Financial Position**

45 093 621

**VAT**

**Expenditure erroneously not recorded in the prior year**

During the financial year, invoices for SIU Investigations, bank charges and other operational expenditure that was incurred in the prior year was presented late and erroneously not recorded as expenditure in the prior year. An adjustment was therefore necessary to restate the expenditure in the prior year and a corresponding adjustment was made to accruals/payables and vat. The effect of the restatement is presented below.

**Balance previously reported 30 June 2021**

9 043 520

Expenditure erroneously not accounted for In prior year (Input Vat Receivable)

( 94 049)

**Net effect on Statement of Financial Position**

8 949 471

**PROPERTY PLANT AND EQUIPMENT**

**Land assets erroneously not recorded on the asset register**

The municipality received a qualification in the prior year due to properties that were registered in the name of the municipality as per the deeds office however these assets were not included on the asset register. A detailed analysis of the properties was performed and 110 pieces of land amounting to R 11 663 000 was recorded as assets in prior periods. The effect of the error is disclosed below

**Balance previously reported 30 June 2021**

315 536 201

Land erroneously not recorded on the asset register

11 643 000

**Net effect on Statement of Financial Position**

327 179 201

**INVESTMENT PROPERTY**

**Investment properties erroneously not recorded on the asset register**

The municipality received a qualification in the prior year due to properties that were registered in the name of the municipality as per the deeds office however these assets were not included on the asset register. A detailed analysis of the properties was performed and 355 properties were erroneously not recorded as investment property. The effect of the correction of the error is disclosed below

**Balance previously reported 30 June 2021**

57 127 779

Investment property erroneously not recorded on the asset register

46 879 000

**Net effect on Statement of Financial Position**

104 006 779

**ACCUMULATED SURPLUS/(DEFICIT)**

The effect of the the correction of prior period error above are as reflected below:

**Balance previously reported 30 June 2021**

303 112 857

Land assets erroneously not recorded on the asset register

11 643 000

Investment Property erroneously not recorded on the asset register

46 879 000

**Surplus/Deficit for year June 2021 adjustment**

( 2 051 567)

Bank charges expenditure erroneously not recorded in the prior year

( 735 292)

Other operational expenditure erroneously not recorded in the prior year

( 1 316 275)

**Net effect on Statement of Financial Position**

359 583 290



**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

	2022	2021
	R	RESTATED R
<b>36 CHANGE IN ESTIMATE</b>		
There has been no significant changes in accounting estimates in the current reporting period.		
<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>		
<b>37 DISALLOWED</b>		
<b>Unauthorised expenditure</b>		
Opening balance	41 606 122	7 334 287
Unauthorised expenditure current year (Overspending of approved budget)		
- Employee related costs	825 013	2 850 611
- Debt impairment	-	17 052 073
- Depreciation & asset impairment	1 195 130	1 656 571
- Bulk purchases	9 304 965	8 475 420
- Other Expenditure	-	4 237 160
Approved by Council or condoned	( 32 220 268)	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>20 710 962</u>	<u>41 606 122</u>
<b>Fruitless and wasteful expenditure</b>		
Reconciliation of fruitless and wasteful expenditure		
Opening balance -	1 428 829	90 930
Correction to opening balance - See detail below		
Fruitless and wasteful expenditure - current year	2 705 920	1 337 899
Condoned or written off by Council - prior year	( 206 469)	-
To be recovered prior year – contingent asset (see note 42)	-	-
	<u>3 928 280</u>	<u>1 428 829</u>
- Travel expenditure for postponed meeting	-	3 725
- Legal matter unsuccessful	-	195 335
- Penalties/Interest	2 702 940	6 298
- Salary paid to incorrect person	-	1 111
- Subsistence and Travel	2 980	-
- High court costs on security tender	-	1 131 429
	<u>2 705 920</u>	<u>1 337 899</u>
<b>38 Irregular expenditure</b>		
Reconciliation of irregular expenditure		
Opening balance	20 458 577	10 594 368
Irregular expenditure current year	2 574 872	9 864 208
Condoned or written off by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	<u>23 033 448</u>	<u>20 458 577</u>
Irregular expenditure is stated inclusive of VAT		
The Municipal Public Accounts Committee (MPAC) has been tasked to investigate the irregular expenditure and investigations are still in progress.		
Other Supply chain management policy deviations (Refer to note 39.8)		
<b>Awards made to suppliers not in compliance with the SCM policy for the procurement of good and services.</b>	1 995 372	2 189 490
<b>Bid Adjudication committee not properly constituted SCM Regulation 29(2)(i)(ii).</b>	-	3 133 598
<b>Contract not awarded to the bidder who scores the highest points PPPFA (2f)</b>	579 500	-
<b>Three quotations not obtained from prospective suppliers SCM Regulations 17(1)(a)</b>		351 306
<b>Criteria for deviations from SCM policy not in compliance with SCM Regulation 36(1)(a)</b>	-	495 806
<b>Bid specification did not contain threshold for local production and content Preferential Procurement Regulations 8(2).</b>	-	82 858
<b>Contract awarded to supplier whose tax matters were not in order SCM Regulations 43(1)</b>	-	3 611 151
	<u>2 574 872</u>	<u>9 864 208</u>

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

	2022	2021
	R	RESTATED R
<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE</b>		
<b>39 MANAGEMENT ACT</b>		
<b>39.1 Contributions to organised local government</b>		
Opening balance	-	-
Council subscriptions	1 280 657	1 353 076
Amount paid - current		
Amount paid - previous years	( 1 280 657)	( 1 353 076)
<b>Balance unpaid (included in payables)</b>	-	-
<b>39.2 Audit fees</b>		
Opening balance		
Current year audit fee	4 252 258	4 044 048
Amount paid - current year	( 4 244 480)	( 4 044 048)
Amount paid - previous years	( 7 778)	-
<b>Balance unpaid (included in payables)</b>	-	-
<b>39.3 VAT</b>		
Vat received for the year	10 433 913	13 246 685
Vat paid for the year	2 979 603	-
VAT returns have been submitted by the due date throughout the year. Submission for one month was late.		
<b>39.4 PAYE and UIF</b>		
Opening balance	-	-
Current year payroll deductions	19 395 632	17 082 900
Amount paid - current year	( 19 395 632)	( 17 082 900)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	-	-
<b>39.5 Distribution Losses</b>		
Units lost (kilowatts)	37 550 312	33 143 591
Units lost (sales price per kilowatts - rands)	69 726 614	53 045 635
Units lost due to normal distribution losses (sales price per kilowatts - rands [2022 : R 1.86 , 2021 : R 1.5817])	14 626 945	11 929 224
Units lost due to theft (sales price per kilowatts - rands [2022 : R 1.86 , 2021 : R 1.6101])	55 099 669	41 116 411
Units lost due to normal distribution losses (percentage)	8%	8%
Units lost due to theft (percentage)	30%	27%
<b>39.6 Pension and Medical Aid Deductions</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	33 636 213	31 513 422
Amount paid - current year	( 33 636 213)	( 31 513 422)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	-	-
<b>39.7 Councillor's arrear consumer accounts</b>		
<b>as at 30 June 2022</b>	<b>Amount outstanding for more than 90 days</b>	<b>Ageing Days</b>
During the year the following Councillors had arrear accounts outstanding for more than 90 days.		
Councillor: Kheswa S	R	
		14
<b>as at 30 June 2021</b>		
Councillor: Khanyile	3 455	180 days
<b>Total Councillor Arrear Consumer Accounts</b>		-

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

	2022 R	2021 RESTATED R
<b>39.8 Deviations of Supply Chain Management Policy</b>		
<b>Payroll Training - SAGE South Africa</b>	7 004	
The procurement for payroll training did not follow the usual procurement process. SAGE is the municipal financial system service provider and sole provider of system related payroll training. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>Payday Seminar - Payday software systems</b>	23 792	
The procurement for the payday training did not follow the usual procurement process. The municipality was on the Payday payroll system for the first three months of the tax year and thereafter on the SAGE people system. To ensure accurate migration of information training on the legislation and the source codes used were essential to keep the payroll staff abreast of the changes on that system. The deviation were duly authorised by the accounting officer and was reported to council.		
<b>Transport of Grader - Asiziqalele Contractors</b>	34 960	
The procurement for the transport of the Grader to Volvo workshop did not follow the usual procurement process. The grader required a diagnostic test to be conducted to resolve a mechanical problem. This was urgent as the grader is required for service delivery. The deviation were duly authorised by the accounting officer and was reported to council.		
<b>Supply of six mobile toilets - Amafuzonke Trading</b>	2 400	
The appointment of a service provider for the supply six mobile toilets did not follow the usual procurement process. The municipality had to urgently procure sanitation services to the rural horse riding and ethopian church voting station durinh the local elections. These facilities did not have ablution and water reticulation systems and an urgent intervention was required. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>Food Parcels - TFS Wholesalers Pty Ltd</b>	13 887	
The procurement of food parcel for destitute families did not follow the usual procurement process. Following the storm, the municipality provided relief to the families left destitute. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>SALGA Conference - Harvey World</b>	34 455	
The procurement for flights and accomodation for the three councillors attendance at the SALGA conference in Cape Town did not follow the usual procurement process. It was impractical to follow the procurement process as the user department was informed of the conference on the 25th February and the event took place on the 2nd March 2022. Challenges werw experienced with booking due to credit card facility being required to make bookings. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>Electrical Cables - Voltex Newcastle</b>	78 419	
The procurement for electrical cables did not follow the usual procurement process. The appointed service provider was unable to supply due to no stock and the cabling was required urgently. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>Surge Generator - Freefall Trading</b>	61 850	
The procurement for the repair of the surge generator did not follow the usual procurement process. The procurement was a strip and quote. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>Accomodation - Alphine Heath Resort and Conference</b>	199 886	
The procurement for accomodation at the strategic planning session did not follow the usual procurement process. The service provider was the sole provider who met the specifications for the strategic planning session. The deviation was duly authorised by the Accounting Officer and was reported to Council.		

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

	2022	2021
	R	RESTATED R
<b>Windscreen - High Power Equipment</b>	34 886	
The procurement for the supply of a windscreen did not follow the usual procurement process. The windscreen was procured from the agent being the sole provider. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>Training - Molao Academy</b>	5 978	
The procurement for traffic officer training did not follow the usual procurement process. The service provider was the sole provider that offered training to candidates with no matric certificates. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>Accommodation - Caponero Restaurant</b>	68 000	
The procurement for accommodation for traffic officers on training did not follow the usual procurement process. The service provider was the sole provider as the establishment was situated next to the training college. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>VIP Security - Ocean Dawn Security</b>	159 620	
The procurement for VIP Security did not follow the usual procurement process. The appointed service provider disarmed the VIP security to the Mayor and the Speaker leaving them vulnerable. An emergency procurement was required for procure their security. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>Caseware Training - Adapt IT</b>	36 460	
The procurement for caseware training did not follow the usual procurement process. Adapt IT is the sole provider of specialist training on the Caseware system being a division of Caseware. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>Data Recovery - Crystal Camelon</b>	33 488	
The procurement for the recovery of lost data did not follow the usual procurement process. The municipal record management server crashed and data needed to be recovered urgently. Hard drives were sent to the service provider for assessment and quotation. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>Radio Broadcast Exhumation of Graves - Gagasi FM</b>	66 125	
The procurement for radio broadcasts did not follow the usual procurement process. Radio Gagasi is the sole provider for the broadcast to the target market. The broadcasts was intended to locate next of kin for unknown graves at forrestdale for the purposes of exhumation. The graves were on the RDP project site and the forrestdale housing project was to be completed by the end of May 2022. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>Radio Broadcast Mayor Interview - Gagasi FM</b>	29 722	
The procurement for radio broadcasts did not follow the usual procurement process. Radio Gagasi is the sole provider for the broadcast to the target market. The broadcasts were for an interview of the Honourable mayor. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>Training - VRM Training Academy</b>	5 970	
The procurement for training on the handling of firearms did not follow the usual procurement process. Museum officials were trained on the handling of guns, rifle and shorguns, firing and cleaning of each category of firearm which the museum collects. The procurement was of a specialised nature. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
	896 901	

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

	2022	2021
	R	RESTATED R
<b>40 CAPITAL COMMITMENTS</b>		
<b>40 Commitments Approved and Contracted for</b>		
	<b>4 090 662</b>	<b>22 079 607</b>
Capital commitments	4 090 662	22 079 607
<b>Total</b>	<b>4 090 662</b>	<b>22 079 607</b>
This expenditure will be financed from government grants and internal funding.		
- Grant Funded	2 224 316	22 079 607
- Council funded	1 866 346	-
- External Loans	-	-
	<b>4 090 662</b>	<b>22 079 607</b>

**41 EMPLOYEE BENEFITS**

**41 Defined Benefit Plans**

**Post-employment Medical Benefits**

The municipality operates on 5 accredited medical aid schemes, namely Bonitas, Hosmed, Keyhealth, LA Health and Samwumed. Pensioners continue on the option they belonged to on the day of their retirement.

The independent valuers, One Pangaea, carried out a statutory valuation as at 30 June 2022.

**Statement of Financial Position**

The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:

Balance at beginning of the year	54 788 896	48 647 524
Current service cost	2 696 604	1 826 958
Interest cost	5 702 288	5 802 241
Benefit payments	( 2 590 979)	( 2 633 368)
Actuarial (gains)/losses	( 7 201 971)	1 145 541
<b>Balance at the end of year</b>	<b>53 394 838</b>	<b>54 788 896</b>
Current Provision	3 629 078	3 389 936
Non Current Provision	49 765 760	51 398 960
	<b>53 394 838</b>	<b>54 788 896</b>

**Statement of Financial Performance**

Current service cost	2 696 604	1 826 958
Interest cost	5 702 289	5 802 241
Actuarial (gains)/losses	( 7 201 971)	1 145 541
<b>Total</b>	<b>1 196 922</b>	<b>8 774 740</b>

**Net expense In Statement of Financial Performance**

Total Contribution to post employment medical	1 196 922	8 774 740
Total Contribution to long service (see note 13)	1 297 646	1 337 040
	<b>2 494 568</b>	<b>10 111 780</b>

**Principal actuarial assumptions:**

Discount rate	12.32%	10.74%
How was the discount rate determined	Market yields on government bonds	
Increase in health care cost	8.84%	7.51%
Active members expected to continue after retirement	100%	100%
Average retirement age	63	63

**Mortality pre-retirement**

Pre- retirement mortality at 30 June 2022	SA 85-90	SA 85-90
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**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2022**

	2022	2021
	R	RESTATED R
<b>Mortality post-retirement</b>		
(Allow for 1% per annum mortality improvement factor from 2010)	PA (90)	PA (90)

The value of the liabilities is particularly sensitive to the long term discount rate. The sensitivity of the valuation result to a 1% increase and 1% decrease in the long term discount rate assumption is set out below:

	1% decrease	30 June 2022 valuation basis	1% increase
<b>Healthcare cost inflation sensitivity</b>			
Defined benefit obligation	59 766 642	53 394 839	48 125 164
Service cost (next financial year)	3 424 972	2 893 743	2 470 512
Interest cost (next financial year)	6 561 541	6 355 845	6 169 559

#### 42 CONTINGENT ASSETS

##### **Endumeni Municipality vs SR Mbatha&Others END/014/19**

Letter of demand has been sent to recover irregular expenditure for close protection travel, no response has been forthcoming. Summons have been issued in the magistrate court - dundee and attempted service of the summons in more than three addresses and the defendant does not reside in those addresses. Attorneys have been instructed to apply to court for substituted service, application papers have been prepared and the supporting affidavit has been sent for signature

##### **Endumeni Municipality vs SR Mbatha END/015/19**

Summons have been issued in the magistrate court - dundee and attempted service of the summons in more than three addresses and the defendant does not reside in those addresses. Attorneys have been instructed to apply to court for substituted service, application papers have been prepared and the supporting affidavit has been sent for signature.

##### **Endumeni Municipality vs Mr SR Mbatha END/015/19C**

R75 000 that was unlawfully paid to Umzinyathi News. Summons have been issued in the magistrate court - dundee and attempted service of the summons in more than three addresses and the defendant does not reside in those addresses. Attorneys have been instructed to apply to court for substituted service, application papers have been prepared and the supporting affidavit has been sent for signature.

##### **Endumeni Municipality vs SR Mbatha END/016/19**

Letter of demand sent to recover an amount of R50 000 which was unlawfully paid/donated to the church. Summons have been issued in the magistrate court - dundee and attempted service of the summons in more than three addresses and the defendant does not reside in those addresses. Attorneys have been instructed to apply to court for substituted service, application papers have been prepared

##### **Endumeni Municipality vs Olive Root Consulting END/017A/19**

Letter of demand sent to recover an amount of R83 670 which was unlawfully paid to Olive Root Consulting. Attorneys await mandate to proceed with Edictal citation application.

##### **Endumeni Municipality vs Mr S.P Mosia END/018/19**

Attorneys have been instructed to apply to court for substituted service, application papers have been prepared and the supporting affidavit has been sent for signature.

##### **Endumeni Municipality vs Sentas END/019/19C**

Letter of demand sent to Director of Sentas following the irregular donation payment of R30 000 made to Sentas Business Enterprise, Attorneys have been instructed to apply to court for substituted service, application papers have been prepared and the supporting affidavit has been sent for signature.

##### **Endumeni Municipality vs D Padayachee END/020/19**

Mr D Padayachee owes the municipality a total amount of R24 065.02. Attorney's have issued a warrant of execution against the movable property of Mr D Padayachee in respect of costs in the sum of R24 065.02. Sheriff rendered a return of non-service and attorneys will serve a section 65A notice.

24 065

##### **Endumeni Municipality vs N Zitha END/022/20**

Attorney's have prepared summons against N Zitha and instructed the agents to issue same. Matter is pending and attorney's shall revert as soon as Sheriff's return is received.

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2022**

2022

2021

R

RESTATED  
R

**Endumeni Municipality vs SNL Seruwe END/024/2020**

Attorney's have prepared summons against SNL Seruwe and instructed the agents to issue same. Matter is pending and attorney's shall revert as soon as Sheriff's return is received.

**Endumeni Municipality vs VM Ntombela END/025/20**

Summons were served and the Defendant did not defend the summons. Attorney's have applied for default judgement against Mr Ntombela and the matter was set down for oral evidence in April 2022, however attorney's were instructed to adjourn sine die. Matter is still pending.

**Endumeni Municipality vs Endumeni Contractors END/026/20**

Litigation is pending. Attorney's have applied for a date of the trial.

**Endumeni Municipality vs Mzinyathi News END/027/20**

Issued summons against Mzinyathi News and instructed Sheriff to serve same on the Director of the company, at the address that was furnished to us by the Director. Sheriff submitted to us a return of non-service and reported that the defendant is unknown at the address. Attorneys await instruction to appoint tracing agents.

**Endumeni Municipality vs BB Mdletshe END/031/20**

Attorneys have been instructed to apply to court for substituted service, application papers have been prepared and the supporting affidavit has been sent for signature.

**Endumeni Municipality vs LJ Siwela END/34/2020**

Attorney's have recovered R104 190.36 from the Provident Fund against the judgement amount of R497 064.77. There is a shortfall of more than R300 000. Attorney's await further instruction.

300 000

**Endumeni Municipality vs VM Ntombela END/036/2020**

Attorney's have brought an urgent application to interdict KZN Joint Municipal Pension Fund from paying any benefits to VM Ntombela. The matter was adjourned sine die and attorney's await further instruction.

**Endumeni Municipality vs SNL Seruwe END/037/2020**

Attorney's have brought an application to interdict the payment of the proceeds of the provident fund to Mr Seruwe. Application was granted and attorney's await further instruction.

**Endumeni Municipality vs NW Zitha END/038/2020**

Attorney's have brought an application to interdict the payment of the proceeds of the provident fund to Mr Zitha. Awaiting date for hearing.

**Endumeni Municipality vs Endumeni Contractors CC END/046/2021**

Mandate is to review the agreement between the municipality and Endumeni Contractors. Awaiting the review application papers from counsel and the matter is pending.

**Endumeni Municipality vs Mabilisa and Ngwenya END/047**

The municipality incurred fruitless and wasteful expenditure in legal costs regarding the award of a security tender. Council resolved that the monies be recovered from the responsible officials. Summons issued and forwarded to the sheriffs for service upon the defendants

**CONTINGENT LIABILITY**

**Endumeni Municipality vs Tactical Services END/049**

All necessary papers have been filed at court in the matter between Endumeni Municipality and Tactical Services. Awaiting the date of the hearing.

**Endumeni Municipality vs NO Makgatho END/021/19**

This matter was referred to Court to enforce a contract that was terminated by the Municipality. Matter pending, no court date yet.

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

	2022	2021
	R	RESTATED R
<b>43 RELATED PARTIES</b>		
<b>Members of key management</b>		
Mayor	513 098	521 048
Deputy Mayor	150 981	424 998
Speaker	420 532	424 998
Mpac Chair	373 493	390 418
Executive Committee	662 417	400 993
Councillors	2 363 743	2 438 690
Section 56 and 57 managers	6 672 022	5 713 609

Compensation to councillors and other key management (refer to note 23 & 24)

**44 EVENTS AFTER THE REPORTING DATE**

No events after the reporting date noted to warrant disclosure. Measures to deals with the impact of Covid-19 are disclosed below.

**COVID-19 Exposure**

Since the emergence of the Corona virus (COVID-19) in December 2019 and its subsequent spread throughout the world, many local communities have been severely impacted. In South Africa, the government placed the country under lock down with effect from March 2020 as part of the measures to contain the further spread of the virus in the country. Some businesses required to cease or limit operations for long periods of time. Measure taken to contain the spread of the virus include travel bans, quarantines, social distancing and closures of non-essential services have triggered significant disruptions to businesses resulting in an economic slowdown.

The measures that were taken resulted in some losses which in turn affected the municipality's ability to collect revenue from consumers. In an effort to assist the community the municipality has put in place certain debt incentives. Despite the lock down measure being lifted the effects of the disaster has still affected the businesses and consumers ability to pay.

**45 RISK MANAGEMENT**

**Credit Risk**

Credit risk is the risk of financial loss to the municipality if customers or counter parties to the financial instrument fail to meet their contractual obligation, and arises mainly from the municipality's cash and cash equivalents, investments, receivables from exchange and non-exchange transactions and non-current receivables.

**Cash and cash equivalents**

The municipality limits its exposure to credit risk by investing with only major commercial banks in South Africa that have a sound credit rating and within the specific guidelines set in the council approved cash management and investment policy. Accordingly, the municipality does not consider its exposure to credit risk significant.

**Receivables from exchange transactions and guarantees**

Receivables from exchange transactions are amounts owing by customers and are presented net of impairment losses. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal and external ratings in accordance with limits set by the council. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.



**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

	2022	2021 RESTATED
	R	R
<b>Non-current receivables</b>		
<p>The non-current receivables have been fully impaired and provided for thus do not expose the municipality to credit risk.</p> <p>The carrying amount of the financial assets represent the maximum credit exposure and the carrying amount of the financial assets as at 30 June was as follows:</p>		
Cash and Cash Equivalents	28 330 236	13 638 168
Financial guarantees	153 210	153 210
Trade and other receivables	118 982 722	45 431 283
	<b>147 466 167</b>	<b>59 222 661</b>

**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.

	Not later than one month	Later than one month and not later than three months
<b>2022</b>		
Gross finance lease obligations		
Borrowings	-	-
Trade and other payables	86 884 577	-
Other	-	-
<b>2021</b>		
Gross finance lease obligations		
Borrowings	-	-
Trade and other payables	20 551 541	-
Other	-	-

**Interest rate risk**

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. The municipality does not have any long term borrowings.

**46 RESTATEMENT OF COMPARATIVE INFORMATION**

The comparative information have been restated. (Note 35)

**47 COMPARISON WITH THE BUDGET**

The comparison of the Municipality's actual performance with that of the budget is set out in note 47.1 and 47.2

47. COMPARISON TO BUDGET

47.1 ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

	Actual	Budget	Variance	Variance	Explanation of significant Variance
	2022	2022	2022	2022	greater than 15% versus Budget
	R	R	R	%	
<b>REVENUE</b>					
<b>Revenue from exchange transactions</b>	<b>176 655 454</b>	<b>187 896 151</b>	<b>( 11 240 697)</b>	<b>-6%</b>	
Service charges	155 978 689	155 296 744	681 945	0%	
Rental of facilities and equipment	3 867 981	1 295 243	2 572 738	199%	The budget was set conservative due to the impact of the covid and decline in usage of facilities
Interest earned- external investments	811 958	500 000	311 958	62%	Non-payment of Eskom has slightly improved the interest earned
Licences and permits	2 195 959	4 347 700	( 2 151 741)	-49%	Challenges experienced with printing of licenses may have affected the revenue generated on licenses fees
Operational Revenue from exchange transactions	400 645	20 456 464	( 20 055 819)	-98%	Other revenue anticipated did not materialise
Gain on disposal of asset	-	6 000 000	( 6 000 000)	-100%	Properties budgeted to be disposed did not materialise
Gain on fair value of asset	13 400 221	-	13 400 221	100%	Fair value assessment done on investment properties
<b>Revenue from non-exchange transactions</b>	<b>192 759 119</b>	<b>211 474 402</b>	<b>( 18 924 478)</b>	<b>-9%</b>	
Property rates	94 435 506	93 378 802	1 056 704	1%	
Fines, penalties and forfeits	9 220 170	23 685 600	( 14 465 430)	-61%	Revenue generated from penalties lower than anticipated
Government grants and subsidies	88 894 248	94 410 000	( 5 515 752)	-6%	
Public contributions and donations	209 195	-	209 195	100%	Donation of assets not budgeted
<b>Total Revenue</b>	<b>369 414 572</b>	<b>399 370 553</b>	<b>( 30 165 176)</b>		
<b>EXPENDITURE</b>					
Employee related cost	135 587 459	134 762 446	825 013	1%	
Remuneration of councillors	4 484 263	6 223 681	( 1 739 418)	-28%	Upper limits increases for councillor allowances not gazetted.
Debt Impairment	( 24 202 496)	7 746 668	( 31 949 164)	-412%	Risk profiling exercise on debtors performed
Depreciation and asset impairment	15 016 255	14 498 850	517 405	4%	
Bulk purchases	145 803 039	138 081 023	7 722 016	6%	
Contracted services	12 699 877	50 536 457	( 37 836 580)	-75%	Lower contractual commitments due to financial position of municipality
Other Expenditure	56 538 077	26 412 499	30 125 578	114%	Increase in grat provisions post retirement medical benefits
Loss on write off of assets	205 711	-	205 711		
<b>Total Expenditure</b>	<b>346 132 187</b>	<b>378 261 624</b>	<b>( 32 129 437)</b>		
<b>NET (DEFICIT) / SURPLUS FOR THE YEAR</b>	<b>23 282 386</b>	<b>21 108 929</b>	<b>1 964 262</b>		

**ENDUMENI MUNICIPALITY  
UNAUDITED NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

**47. COMPARISON TO BUDGET (Continued)**

**47.2 ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)**

	<b>2022 Total Additions</b>	<b>2022 Budget</b>	<b>2022 Variance</b>	<b>2022 Variance</b>	<b>Explanation of Significant Variances Greater than 5% versus Budget</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>%</b>	
EXECUTIVE AND COUNCIL	-		-		
MUNICIPAL MANAGER	-		-		
CORPORATE SERVICES	1 026 880	1 513 000	( 486 120)	-32%	
TECHNICAL SERVICES	23 072 770	21 170 500	1 902 270	9%	
FINANCIAL SERVICES	38 927	132 500	( 93 573)	-71%	
PLANNING & DEVELOPMENT	1 569	4500	( 2 931)	-65%	
COMMUNITY SERVICES	484 940	2 062 500	( 1 577 560)	-76%	
	<b>24 625 086</b>	<b>24 883 000</b>	<b>( 257 914)</b>	<b>-1%</b>	Municipality has managed to spend in line with capital budget. Municipality acted as agent for certain electrification projects so expenditure was not regarded as an acquisition

The appendix includes additions figures for Property, Plant and Equipment (note 7) and Intangible Assets (note 8) only.

Endumeni Local Municipality

UNAUDITED SUPPLEMENTARY APPENDIX B - Analysis of Property Plant and Equipment as at 30 June 2022

	Cost										Accumulated depreciation					Accumulated impairment					Carrying value			
	Restated Cost 30 June 2021	Prior year adjustment	Restated Cost 30 June 2021	Additions 30 06 2022	Additions infra 30 06 2022	Donated Assets	Fair Value Adjustment	AUC released 2022	Disposals	Closing cost 30 June 2022	Accumulated depreciation as at 30 June 2021 as per AFS	Transfer	Restated Accumulated depreciation 30 June 2021	Depreciation charge 30 06 2022	Disposals	Accumulated depreciation as at 30 06 2022	Accumulated impairment as at 30 June 2021 as per AFS	Prior year adjustment	Accumulated impairment as at 30 June 2021	Impairment loss 30 06 2022		Disposals	Accumulated impairment as at 30 06 2022	
<b>Land</b>	68 510 243.96	-	68 510 243.96	-	-	-	-	-	-	68 510 243.96	-	-	-	-	-	-	-	-	-	-	-	-	68 510 243.96	
<b>Community assets</b>																								
Dwellings	8 653 354.47	-	8 653 354.47	-	-	-	-	-	8 653 354.47	6 776 767.56	-	6 776 767.56	236 983.19	-	7 013 750.75	144 241.24	-	144 241.24	-	-	-	-	144 241.24	1 495 362.48
Non Residential Dwellings	91 221 809.78	-	91 221 809.78	163 511.16	-	-	-	8 426 888.18	99 812 209.12	19 963 711.53	-	19 963 711.53	3 237 313.32	-	23 201 024.85	2 965 386.43	-	2 965 386.43	235 639.47	-	-	3 201 025.90	73 410 158.37	
AUC Buildings	7 721 944.44	-	7 721 944.44	-	1 195 062.71	-	-	-8 891 271.42	25 735.73	-	-	-	-	-	-	-	-	-	-	-	-	-	25 735.73	
<b>Total Buildings</b>	<b>107 597 108.69</b>	<b>-</b>	<b>107 597 108.69</b>	<b>163 511.16</b>	<b>1 195 062.71</b>	<b>-</b>	<b>-</b>	<b>-464 383.24</b>	<b>108 491 299.32</b>	<b>26 740 479.09</b>	<b>-</b>	<b>26 740 479.09</b>	<b>3 474 296.51</b>	<b>-</b>	<b>30 214 775.60</b>	<b>3 109 627.67</b>	<b>-</b>	<b>3 109 627.67</b>	<b>235 639.47</b>	<b>-</b>	<b>-</b>	<b>3 345 267.14</b>	<b>74 931 256.58</b>	
<b>Infrastructure</b>																								
Electricity	47 089 880.62	-	47 089 880.62	-	-	-	-	-	47 089 880.62	20 645 771.06	-	20 645 771.06	1 278 895.97	-	21 924 667.03	525 405.14	-	525 405.14	22 279.02	-	-	547 684.16	24 617 529.43	
AUC Electricity	384 032.25	-	384 032.25	-	9 265 300.33	-	-	-	9 649 332.58	-	-	-	-	-	-	-	-	-	-	-	-	-	9 649 332.58	
Road	192 535 400.15	-	192 535 400.15	-	-	-	118 725.29	-	193 654 125.44	68 794 390.08	-	68 794 390.08	5 816 470.71	-	74 610 860.79	3 528 482.93	-	3 528 482.93	34.18	-	3 528 517.11	114 514 747.54		
AUC Roads	5 242 149.29	-	5 242 149.29	-	12 250 398.31	-	-	-	17 492 547.60	-	-	-	-	-	-	-	-	-	-	-	-	-	17 492 547.60	
Solid waste	6 548 507.23	-	6 548 507.23	-	-	-	-	-	6 548 507.23	4 999 137.19	-	4 999 137.19	284 166.61	-	5 283 303.80	77 483.28	-	77 483.28	-	-	-	-	77 483.28	
AUC Land Fill Site	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cemeteries	3 972 078.28	-	3 972 078.28	-	-	-	-	-	3 972 078.28	1 526 429.35	-	1 526 429.35	247 108.34	-	1 773 537.69	15 462.83	-	15 462.83	-	-	-	-	15 462.83	
AUC Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Infrastructure</b>	<b>255 772 047.82</b>	<b>-</b>	<b>255 772 047.82</b>	<b>-</b>	<b>21 515 698.64</b>	<b>-</b>	<b>-</b>	<b>118 725.29</b>	<b>277 406 471.75</b>	<b>95 965 727.68</b>	<b>-</b>	<b>95 965 727.68</b>	<b>7 626 641.63</b>	<b>-</b>	<b>103 592 369.31</b>	<b>4 146 834.18</b>	<b>-</b>	<b>4 146 834.18</b>	<b>22 313.20</b>	<b>-</b>	<b>-</b>	<b>4 169 147.38</b>	<b>169 644 955.06</b>	
<b>Other Assets</b>																								
Furniture and equipment	4 932 415.27	-	4 932 415.27	184 706.52	-	-	-	159 665.06	5 276 786.85	3 555 265.33	-	3 555 265.33	370 081.80	-	3 925 347.13	17 427.52	-	17 427.52	-	-	-	17 427.52	1 334 012.20	
Computer equipment	6 140 949.94	-	6 140 949.94	885 443.51	-	209 195.00	-	-98 363.56	7 137 224.89	4 319 886.05	-	4 319 886.05	556 822.27	-88 359.80	4 788 348.52	25 360.96	-	25 360.96	1 407.21	-	26 768.17	2 322 108.20		
Machinery and equipment	25 429 790.97	-	25 429 790.97	593 205.22	-	-	-	185 992.89	25 904 244.95	10 540 507.60	-	10 540 507.60	1 620 456.75	-109 036.58	12 051 927.77	357 108.47	-	357 108.47	-	-	357 108.47	13 495 208.71		
Transport assets	16 895 957.53	-	16 895 957.53	87 457.80	-	-	-	-	16 983 415.33	9 421 441.34	-	9 421 441.34	1 086 305.98	-	10 507 747.32	15 153.49	-	15 153.49	-	-	-	15 153.49	6 460 514.52	
<b>Total Other assets</b>	<b>53 399 113.71</b>	<b>-</b>	<b>53 399 113.71</b>	<b>1 750 813.05</b>	<b>-</b>	<b>209 195.00</b>	<b>-</b>	<b>345 657.95</b>	<b>403 107.69</b>	<b>55 301 672.02</b>	<b>-</b>	<b>55 301 672.02</b>	<b>27 837 100.32</b>	<b>-</b>	<b>27 837 100.32</b>	<b>3 633 666.80</b>	<b>-</b>	<b>3 633 666.80</b>	<b>-197 396.38</b>	<b>-</b>	<b>-</b>	<b>416 457.65</b>	<b>23 611 843.63</b>	
<b>Leased assets</b>	<b>9 299.78</b>	<b>-</b>	<b>9 299.78</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 299.78</b>	<b>9 061.01</b>	<b>-</b>	<b>9 061.01</b>	<b>79.50</b>	<b>-</b>	<b>9 140.51</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>159.27</b>	
<b>Housing letting schemes</b>	<b>307 629.95</b>	<b>-</b>	<b>307 629.95</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>307 629.95</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>192 362.31</b>	<b>-</b>	<b>192 362.31</b>	<b>22 210.79</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>214 573.10</b>	<b>93 056.85</b>	
<b>Total PPE</b>	<b>485 595 443.91</b>	<b>-</b>	<b>485 595 443.91</b>	<b>1 914 324.21</b>	<b>22 710 761.35</b>	<b>209 195.00</b>	<b>-</b>	<b>0.00</b>	<b>-403 107.69</b>	<b>510 026 616.78</b>	<b>-</b>	<b>510 026 616.78</b>	<b>15 552 368.10</b>	<b>-</b>	<b>15 552 368.10</b>	<b>14 734 684.44</b>	<b>-</b>	<b>14 734 684.44</b>	<b>-197 396.38</b>	<b>165 089 656.16</b>	<b>-</b>	<b>8 145 445.27</b>	<b>336 791 515.35</b>	
<b>Intangible assets</b>	<b>4 306 648.42</b>	<b>-</b>	<b>4 306 648.42</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 306 648.42</b>	<b>1 702 033.34</b>	<b>-</b>	<b>1 702 033.34</b>	<b>677 724.45</b>	<b>-</b>	<b>2 379 757.79</b>	<b>6 797.81</b>	<b>-</b>	<b>6 797.81</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 797.81</b>	<b>1 920 092.82</b>	
<b>Investment Properties</b>	<b>104 006 779.04</b>	<b>-</b>	<b>104 006 779.04</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13 400 220.96</b>	<b>117 407 000.00</b>	<b>-</b>	<b>117 407 000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>117 407 000.00</b>	
<b>Total assets</b>	<b>593 908 871.37</b>	<b>-</b>	<b>593 908 871.37</b>	<b>1 914 324.21</b>	<b>22 710 761.35</b>	<b>209 195.00</b>	<b>13 400 220.96</b>	<b>0.00</b>	<b>-403 107.69</b>	<b>631 740 265.20</b>	<b>-</b>	<b>631 740 265.20</b>	<b>152 254 401.44</b>	<b>-</b>	<b>152 254 401.44</b>	<b>15 412 408.89</b>	<b>-</b>	<b>15 412 408.89</b>	<b>-197 396.38</b>	<b>167 469 413.95</b>	<b>-</b>	<b>8 152 243.08</b>	<b>456 118 608.17</b>	

Endumeni Local Municipality

UNAUDITED SUPPLEMENTARY APPENDIX B - Analysis of Property Plant and Equipment as at 30 June 2021

	Cost								Accumulated depreciation					Accumulated impairment					Carrying value		
	Cost 30 June 2020		Additions 30 06 2021		Fair Value Adjustment	AUC released 2021	Disposals	Closing cost 30 June 2021	Accumulated depreciation as at 30 June 2020 as per AFS	Prior year adjustment	Accumulated depreciation 30 June 2020	Depreciation charge 30 06 2021	Disposal	Accumulated depreciation as at 30 06 2021	Accumulated impairment as at 30 June 2020 as per AFS	Prior year adjustment	Accumulated impairment as at 30 June 2020	Impairment loss 30 06 2021		Disposals	Accumulated impairment as at 30 06 2021
	Adjustments	Donated Assets	30 06 2021	30 06 2021																	
<b>Land</b>	56 597 243.96	11 643 000.00		270 000.00			68 510 243.96													68 510 243.96	
<b>Community assets</b>																					
Dwellings	8 653 354.47						8 653 354.47	6 539 611.23	-	6 539 611.23	237 156.33		6 776 767.56	96 698.86			96 698.86	47 542.38		144 241.24	1 732 345.67
Non Residential Dwellings	85 963 522.97		1 835 010.40	1 232 220.96			91 221 809.78	17 036 079.41	-	17 036 079.41	3 035 414.00	-107 781.88	19 963 711.53	1 973 548.50			1 973 548.50	991 837.93		2 965 386.43	68 292 711.82
AUC Buildings	5 261 330.32		6 180 687.66				7 721 944.44														7 721 944.44
<b>Total Buildings</b>	99 878 207.76		8 015 698.06	1 232 220.96			107 597 108.69	23 575 690.64	-	23 575 690.64	3 272 570.33	-107 781.88	26 740 479.09	2 070 247.36			2 066 838.82	1 039 380.31		3 109 627.67	77 747 001.93
<b>Infrastructure</b>																					
Electricity	48 140 108.51		685 753.00				47 089 880.62	20 795 131.86		20 795 131.86	1 292 106.39	-1 441 467.19	20 645 771.06	260 627.02			260 627.02	361 865.96	-97 087.84	525 405.14	25 918 704.42
AUC Electricity	961 023.43		384 032.25				384 032.25														384 032.25
Road	183 851 584.42		7 552 737.06				192 535 400.15	63 149 116.18		63 149 116.18	5 645 273.90		68 794 390.08	3 528 482.93			3 528 482.93			3 528 482.93	120 212 527.14
AUC Roads	3 065 378.06		3 418 536.34				5 242 149.29														5 242 149.29
Solid waste	6 553 935.70						6 548 507.23	4 657 601.35		4 657 601.35	346 533.64	-4 997.80	4 999 137.19	77 483.28			77 483.28			77 483.28	1 471 886.76
AUC Land Fill Site																					
Cemeteries	3 972 078.28						3 972 078.28	1 273 524.07		1 273 524.07	252 905.28		1 526 429.35	15 462.83			15 462.83			15 462.83	2 430 186.10
AUC Cemeteries																					
<b>Total Infrastructure</b>	246 544 108.40		12 041 058.65				255 772 047.82	89 875 373.46	-	89 875 373.46	7 536 819.21	-1 446 464.99	95 965 727.68	3 882 056.06			3 882 056.06	361 865.96	-97 087.84	4 146 834.18	155 659 485.96
<b>Other Assets</b>																					
Furniture and equipment	4 902 019.74		169 291.00				4 932 415.27	3 309 800.96		3 309 800.96	378 394.67	-132 930.30	3 555 265.33	13 778.10			13 778.10	6 159.81	-2 510.39	17 427.52	1 359 722.42
Computer equipment	5 706 336.93		870 206.77	10 502.50			6 140 949.94	4 275 951.65		4 275 951.65	475 044.08	-431 109.68	4 319 886.05	17 724.10			17 724.10	14 539.30	-6 902.44	25 360.96	1 795 702.93
Machinery and equipment	20 737 708.92		4 963 865.87				25 429 790.97	9 266 028.29		9 266 028.29	1 502 155.07	-227 675.76	10 540 507.60	343 219.39			343 219.39	19 947.32	-6 058.24	357 108.47	14 532 174.90
Transport assets	16 317 786.55		2 418 893.52				16 895 957.53	8 962 467.84		8 962 467.84	1 020 852.31	-561 878.81	9 421 441.34	1 279 839.52			1 279 839.52	1 154.77	-1 265 840.80	15 153.49	7 459 362.70
<b>Total Other assets</b>	47 663 852.14		8 422 257.16	10 502.50			53 399 113.71	25 814 248.74	-	25 814 248.74	3 376 446.13	-1 353 594.55	27 837 100.32	1 654 561.11			1 654 561.11	41 801.20	-1 281 311.87	415 050.44	25 146 962.95
<b>Leased assets</b>	9 299.78						9 299.78	8 973.10		8 973.10	87.91		9 061.01								238.77
<b>Housing letting schemes</b>	307 629.95						307 629.95							192 362.31			192 362.31				115 267.64
<b>Total PPE</b>	451 000 341.99	11 643 000.00	8 422 257.16	20 056 756.71	1 512 723.46		485 595 443.91	139 274 285.94	-	139 274 285.94	14 185 923.58	-2 907 841.42	150 552 368.10	7 799 226.84			7 799 226.84	1 443 047.47	-1 378 399.71	7 863 874.60	327 179 201.21
<b>Intangible assets</b>	2 942 526.68		1 364 121.74				4 306 648.42	1 189 200.99		1 189 200.99	512 832.35		1 702 033.34	6 797.81			6 797.81			6 797.81	2 597 817.27
<b>Investment Properties</b>	55 547 000.00	46 879 000.00			1 557 779.04	23 000.00	104 006 779.04														104 006 779.04
<b>Total assets</b>	509 489 868.67	23 286 000.00	9 786 378.90	20 056 756.71	3 070 502.50	23 000.00	593 908 871.37	140 463 486.93	-	140 463 486.93	14 698 755.93	-2 907 841.42	152 254 401.44	7 806 024.65			7 806 024.65	1 443 047.47	-1 378 399.71	7 870 672.41	433 783 797.52

**Endumeni Municipality**  
**APPENDIX C**  
**UNAUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
as at 30 June 2022

	Cost / Revaluation								Accumulated Depreciation					Accumulated Impairment				Carrying value
	Opening Balance	Prior year adjustment	Fair Valued/ Donations	Additions	Additions Infra	AUC Released	Disposals	Closing Balance	Opening Balance	Prior year adjustment	Depreciation	Disposals	Closing Balance	Opening Balance	Impairment	Disposals	Closing Balance	
	R	R			R	R		R	R		R	R	R				R	
Executive and council	50 498 828	46 879 000	80 000	-	-	-	-	97 457 828	1 806 156	-	331 990	-	2 138 146	11 508	-	-	11 508	95 308 174
Municipal manager	439 959	-	-	-	-	-	-	439 959	265 081	-	44 226	-	309 308	1 563	-	-	1 563	129 088
Community Services	20 514 420	-	-	484 940	-	-	-107 564	20 891 797	7 581 698	-	1 036 888	-91 013	8 527 574	78 405	-	-	78 405	12 285 818
Corporate services	7 112 472	-	-	1 026 880	-	-	-	8 139 352	3 437 886	-	238 947	-	3 676 833	214 726	-	22 211	236 937	4 225 582
Technical services	450 518 174	11 643 000	13 320 221	362 009	22 710 761	-	-173 805	498 380 359	134 853 572	-	13 288 399	-44 872	148 097 099	7 544 366	-	257 953	7 802 319	342 480 942
Financial services	4 315 242	-	209 195	38 927	-	-	-	4 563 363	3 207 281	-	302 515	-	3 509 796	15 147	-	1 407	16 554	1 037 013
Planning and development	1 987 776	-	-	1 569	-	-	-121 739	1 867 606	1 102 726	-	169 444	-61 511	1 210 658	4 957	-	-	4 957	651 991
<b>Total</b>	<b>535 386 871</b>	<b>58 522 000</b>	<b>13 609 416</b>	<b>1 914 324</b>	<b>22 710 761</b>	<b>-</b>	<b>-403 108</b>	<b>631 740 265</b>	<b>152 254 401</b>	<b>-</b>	<b>15 412 409</b>	<b>-197 396</b>	<b>167 469 414</b>	<b>7 870 672</b>	<b>-</b>	<b>281 571</b>	<b>8 152 243</b>	<b>456 118 608</b>

The appendix includes figures for Property, Plant and Equipment (note 7), Intangible Assets (note 8) and Investment Properties (note 9).