



UMVOTI LOCAL MUNICIPALITY

**Annual Financial Statements
for the year ended 30 June 2022**

UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

General Information

Executive committee

Mayor

GZ Malembe (Mayor)

LE Zondi (Deputy Mayor)

NP Dlamini (Speaker)

TC Ngubane (Exco Member) (Mayor 01/07/2021 - 09/11/2021)

ALD R Maharaj (Exco Member)

NR Ngubane (Exco Member)

ALD S V Zondi

J Jacquire

M A Makhaye

M J Ngcobo

M M Masondo (MPAC Chairperson)

M R Dlamini (Whip of Council)

M S Yengwa (Deceased 24/04/2022)

N G Masikane (Deputy Mayor: 01/07/2021 - 09/11/2021)

NM Majozi (Elected 01/06/2022)

ALD P M S Ngubane

P S Myaka

R Maharaj

S K Ndlovu

SS Ndlovu (Elected 01/06/2022)

T Lombo (Deceased 25/02/2022)

T A Edwards

B D Madonsela (MPAC Chairperson 01/07/2021 - 09/11/2021)

T S Zuma

V B Gwala

X P Dladla

Z N Ndlovu

Z P Buthelezi (Resigned 06/05/2022)

Z P Dlomo

Z W Zakwe

C N Mkhize (01/07/2021 - 09/11/2021)

F Mayat (01/07/2021 - 09/11/2021)

L T Gwala (01/07/2021 - 09/11/2021)

M D Khanyile (01/07/2021 - 09/11/2021)

M S Zondi (01/07/2021 - 09/11/2021)

N J Nzame (01/07/2021 - 09/11/2021)

P T Zuma (01/07/2021 - 09/11/2021)

S E Lembethe (01/07/2021 - 09/11/2021)

S P Hlophe (01/07/2021 - 09/11/2021)

S S Xulu (01/07/2021 - 09/11/2021)

W Khoza (Speaker 01/07/2021 - 09/11/2021)

X F Ngubane (01/07/2021 - 09/11/2021)

Z C Ngema (01/07/2021 - 09/11/2021)

Councillors

UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

General Information

Grading of local authority	Grade 3
Chief Finance Officer (CFO)	CB Mkhize
Accounting Officer	EV Mdlalose (Mr) (Acting)
Registered office	41 Bell Street/ King Dinizulu Greytown 3250
Bankers	Standard Bank
Auditors	The Auditor General South Africa

UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

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

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SALGA	South African Local Government Association
VAT	Value Added Tax
DBSA	Development Bank of South Africa
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
UIF	Unemployment Insurance Fund
WCA	Workers Compensation Fund
kwh	kilo watt hours
SDL	Skills Development Levy
MSCOA	Municipal Standard Chart of Accounts
MFMA	Municipal Finance Management Act.
MIG	Municipal Infrastructure Grant (Previously CMIP)
PAYE	Pay As You Earn
PPE	Property, Plant and Equipment
SCM	Supply Chain Management

UMVOTI 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 end of the period and the results of its operations and cash flows for the period. The auditors are engaged to express an independent opinion on the Annual Financial Statements and are given unrestricted access to all financial records and related data.

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

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or loss 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.

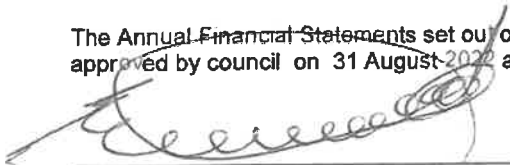
The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficiency.

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

The Accounting Officer certifies that the salaries, allowances and benefits of Councillors as disclosed in note 29 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 Office Bearers Act (Act no.20 of 1998).

The Internal Auditors are responsible for independently reviewing and reporting on the municipality's Annual Financial Statements. The Annual Financial Statements are examined by the municipality's Internal Auditors and their report is presented to the council upon completion.

The Annual Financial Statements set out on pages 6 to 60 which have been prepared on the going concern basis, were approved by council on 31 August 2022 and signed by:



EV Mdlalose (Mr)
Municipal Manager (Acting)

UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	3	4 566 920	3 235 523
Other receivables	4	3 402 206	3 108 369
Receivables from exchange transactions	5	22 582 797	27 086 021
Receivables from non-exchange transactions	6	20 937 980	23 028 724
Cash and cash equivalents	7	44 118 201	55 206 771
		95 608 104	111 665 408
Non-Current Assets			
Biological assets	8	126 369 690	101 470 501
Investment property	9	88 413 000	87 261 500
Property, plant and equipment	10	466 360 475	458 010 381
Intangible assets	11	690 863	777 221
Heritage assets	12	355 590	355 590
		682 189 618	647 875 193
Total Assets		777 797 722	759 540 601
Liabilities			
Current Liabilities			
Advances - Agency/Principal transactions	13	2 978 679	3 859 963
Payables from exchange transactions	14	66 819 812	62 849 310
VAT payable	15	10 695 114	10 473 276
Consumer deposits	16	2 440 714	2 419 153
Unspent conditional grants and receipts	17	1 210 426	6 347 421
Provisions	18	698 708	643 000
Employee benefit obligation	19	1 025 934	993 000
Finance lease obligation	20	147 210	184 668
		86 016 597	87 769 791
Non-Current Liabilities			
Finance lease obligation	20	-	147 210
Employee benefit obligation	19	26 647 568	25 722 000
Provisions	18	5 933 851	5 155 000
		32 581 419	31 024 210
Total Liabilities		118 598 016	118 794 001
Net Assets		659 199 706	640 746 600
Accumulated surplus and reserves			
Housing operating account	21	6 921	6 921
Accumulated surplus		659 192 785	640 739 679
Total Net Assets		659 199 706	640 746 600

* See Note 49

UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	99 898 215	91 968 117
Rental of facilities and equipment		636 239	443 850
Interest received - current account		451 118	508 252
Licences and permits		1 778 697	1 594 064
Agency services	23	1 777 997	1 446 175
Sale of timber	24	17 593 033	2 325 489
Other income	25	3 046 934	3 498 186
Interest earned	26	2 846 366	1 852 255
Total revenue from exchange transactions		128 028 599	103 636 388
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	45 673 389	47 833 457
Transfer revenue			
Government grants and subsidies	28	199 410 793	218 086 976
Fines, penalties and forfeits		828 779	1 836 567
Total revenue from non-exchange transactions		245 912 961	267 757 000
Total revenue		373 941 560	371 393 388
Expenditure			
Employee related costs	29	141 635 522	125 055 969
Remuneration of councillors	30	10 342 519	10 135 754
Depreciation and amortisation	31	31 566 747	33 448 307
Finance costs	33	3 337 905	2 853 566
Debt impairment	34	9 697 228	23 251 396
Bulk purchases	35	75 438 561	64 135 733
Contracted services	36	49 453 139	37 339 929
Indigent support	37	1 982 279	2 751 836
General expenses	38	52 868 879	45 372 275
Total expenditure		376 322 779	344 344 765
Operating (deficit) surplus		(2 381 219)	27 048 623
Loss on disposal of assets	9	(55 000)	-
Fair value adjustments	40	22 640 080	4 386 448
Actuarial (losses)/ gains	19	1 291 939	(1 541 000)
Impairment loss	32	(3 042 694)	(11 549 038)
		20 834 325	(8 703 590)
Surplus for the year		18 453 106	18 345 033

* See Note 49

UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

	Housing Operating Account	Accumulated surplus	Total net assets
Figures in Rand			
Balance at 01 July 2020	6 921	622 394 646	622 401 567
Changes in net assets	-	18 345 033	18 345 033
Surplus for the year	-	18 345 033	18 345 033
Total changes	-	18 345 033	18 345 033
Restated* Balance at 01 July 2021	6 921	640 739 679	640 746 600
Changes in net assets	-	18 453 106	18 453 106
Surplus for the year	-	18 453 106	18 453 106
Total changes	-	18 453 106	18 453 106
Balance at 30 June 2022	6 921	659 192 785	659 199 706
Note(s)	21		

* See Note 49

UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Receipts from ratepayers, consumer debtors and others		175 588 418	153 770 414
Government grants		194 030 000	207 504 869
Interest income		2 846 366	1 852 255
		<u>372 464 784</u>	<u>363 127 538</u>
Payments			
Employees and councilors		(150 821 576)	(135 191 723)
Suppliers		(184 652 118)	(159 518 813)
Finance costs		(3 337 905)	(2 853 566)
		<u>(338 811 599)</u>	<u>(297 564 102)</u>
Net cash flows from operating activities	39	<u>33 653 185</u>	<u>65 563 436</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(43 750 056)	(44 304 907)
Disposal of investment property	9	40 000	-
Net cash flows from investing activities		<u>(43 710 056)</u>	<u>(44 304 907)</u>
Cash flows from financing activities			
Receipts from principals in agency/ principal arrangements - note 13		78 016 875	136 105 430
Payments made on behalf of principals in agency/ principal arrangements - note 13		(78 846 525)	(139 094 327)
Finance lease payments		(202 049)	(50 512)
Net cash flows from financing activities		<u>(1 031 699)</u>	<u>(3 039 409)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(11 088 570)</u>	<u>18 219 120</u>
Cash and cash equivalents at the beginning of the year		55 206 771	36 987 651
Cash and cash equivalents at the end of the year	7	<u>44 118 201</u>	<u>55 206 771</u>

* See Note 49

UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	103 880 748	2 004 849	105 885 597	99 898 215	(5 987 382)	
Rental of facilities and equipment	31 500	296 268	327 768	636 239	308 471	
Interest received - current account	-	-	-	451 118	451 118	52.1
Agency services	-	-	-	1 777 997	1 777 997	52.2
Licences and permits	2 344 095	1 315 533	3 659 628	1 778 697	(1 880 931)	52.3
Other income	2 506 005	16 917 675	19 423 680	3 046 934	(16 376 746)	
Sale of timber	-	-	-	17 593 033	17 593 033	
Interest received - investment	2 068 481	1 486 723	3 555 204	2 846 366	(708 838)	
Total	110 830 829	22 021 048	132 851 877	128 028 599	(4 823 278)	

Revenue from non-exchange transactions

Property rates

Property rates	46 791 147	9	46 791 156	45 673 389	(1 117 767)	
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Transfer revenue

Government grants & subsidies	192 030 000	5 382 372	197 412 372	199 410 793	1 998 421	
Fines, penalties and forfeits	107 851	(61 855)	45 996	828 779	782 783	52.4
Total	238 928 998	5 320 526	244 249 524	245 912 961	1 663 437	

Total revenue	349 759 827	27 341 574	377 101 401	373 941 560	(3 159 841)	
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Expenditure

Employee cost	(132 526 854)	(8 049 427)	(140 576 281)	(141 635 522)	(1 059 241)	
Remuneration of councillors	(10 668 983)	(1)	(10 668 984)	(10 342 519)	326 465	
Depreciation and Amortization	(35 063 520)	(3 166 487)	(38 230 007)	(31 566 904)	6 663 103	52.5
Finance costs	(300 000)	-	(300 000)	(3 337 905)	(3 037 905)	52.6
Debt Impairment	(16 725 957)	(20 225 103)	(36 951 060)	(9 697 228)	27 253 832	52.7
Bulk purchases	(73 575 923)	(1)	(73 575 924)	(75 438 561)	(1 862 637)	
Contracted services	(36 696 121)	(18 277 109)	(54 973 230)	(49 453 139)	5 520 091	52.8
Indigent relief	(920 000)	(980 794)	(1 900 794)	(1 982 279)	(81 485)	
General expenses	(34 533 088)	(12 447 590)	(46 980 678)	(52 942 780)	(5 962 102)	52.9
Total expenditure	(341 010 446)	(63 146 512)	(404 156 958)	(376 396 837)	27 760 121	

Operating deficit

Loss on disposal of assets and liabilities	-	-	-	(55 000)	(55 000)	52.10
Fair value adjustments	-	-	-	22 640 080	22 640 080	
Actuarial gains	-	-	-	1 291 939	1 291 939	
Impairment loss	-	-	-	(3 042 694)	(3 042 694)	
	-	-	-	20 834 325	20 834 325	

Surplus	8 749 381	(35 804 938)	(27 055 557)	18 379 048	45 434 605	
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Total surplus	8 749 381	(35 804 938)	(27 055 557)	18 379 048	45 434 605	
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UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	6 383 698	-	6 383 698	4 566 920	(1 816 778)	52.11
Receivables from exchange transactions	3 673 644	-	3 673 644	3 402 206	(271 438)	
Receivables from non-exchange transactions	42 719 012	-	42 719 012	20 937 980	(21 781 032)	
Receivable from exchange transactions	-	-	-	22 582 797	22 582 797	
Cash and cash equivalents	89 624 011	-	89 624 011	44 118 201	(45 505 810)	52.12
	142 400 365	-	142 400 365	95 608 104	(46 792 261)	
Non-Current Assets						
Biological assets	95 675 910	-	95 675 910	126 369 690	30 693 780	
Investment property	86 442 000	-	86 442 000	88 413 000	1 971 000	
Property, plant and equipment	278 472 335	-	278 472 335	466 360 475	187 888 140	
Intangible assets	306 230	-	306 230	690 863	384 633	
Heritage assets	355 590	-	355 590	355 590	-	
	461 252 065	-	461 252 065	682 189 618	220 937 553	
Total Assets	603 652 430	-	603 652 430	777 797 722	174 145 292	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	147 210	147 210	
Payables from exchange transactions	113 967 198	-	113 967 198	66 819 812	(47 147 386)	
VAT payable	-	-	-	10 695 114	10 695 114	
Consumer deposits	2 595 322	-	2 595 322	2 440 714	(154 608)	
Employee benefit obligation	-	-	-	1 025 934	1 025 934	
Unspent conditional grants and receipts	-	-	-	1 210 426	1 210 426	
Provisions	2 598 000	-	2 598 000	698 708	(1 899 292)	
Advances - Agency/ Principal transactions	-	-	-	2 978 679	2 978 679	
	119 160 520	-	119 160 520	86 016 597	(33 143 923)	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	26 647 568	26 647 568	
Provisions	52 166 000	-	52 166 000	5 933 851	(46 232 149)	
	52 166 000	-	52 166 000	32 581 419	(19 584 581)	
Total Liabilities	171 326 520	-	171 326 520	118 598 016	(52 728 504)	
Net Assets	432 325 910	-	432 325 910	659 199 706	226 873 796	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Housing development fund	-	-	-	6 921	6 921	
Accumulated surplus	432 325 910	-	432 325 910	659 192 785	226 866 875	
Total Net Assets	432 325 910	-	432 325 910	659 199 706	226 873 796	

UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Receipts from ratepayers, consumer debtors and others	142 389 562	-	142 389 562	175 588 418	33 198 856	
Government grants	274 055 067	-	274 055 067	194 030 000	(80 025 067)	
Interest income	2 062 804	-	2 062 804	2 846 366	783 562	
Dividends received	1 820 263	-	1 820 263	-	(1 820 263)	
	420 327 696	-	420 327 696	372 464 784	(47 862 912)	
Payments						
Suppliers and employees	(290 338 596)	-	(290 338 596)	(335 574 078)	(45 235 482)	
Finance costs	(300 000)	-	(300 000)	(3 237 521)	(2 937 521)	
	(290 638 596)	-	(290 638 596)	(338 811 599)	(48 173 003)	
Net cash flows from operating activities	129 689 100	-	129 689 100	33 653 185	(96 035 915)	
Cash flows from investing activities						
Purchase of property, plant and equipment	-	-	-	(43 750 056)	(43 750 056)	
Proceeds from sale of investment property	-	-	-	40 000	40 000	
Net cash flows from investing activities	-	-	-	(43 710 056)	(43 710 056)	
Cash flows from financing activities						
Payments on behalf of principals in Agency/ principal arrangements	-	-	-	(78 846 525)	(78 846 525)	
Receipts from principals in agency/ principal arrangements	-	-	-	78 016 875	78 016 875	
Finance lease payments	-	-	-	(202 049)	(202 049)	
Net cash flows from financing activities	-	-	-	(1 031 699)	(1 031 699)	
Net increase/(decrease) in cash and cash equivalents	129 689 100	-	129 689 100	(11 088 570)	(140 777 670)	
Cash and cash equivalents beginning of the period	36 987 651	-	36 987 651	55 206 771	18 219 120	
Cash and cash equivalents at the end of the year	166 676 751	-	166 676 751	44 118 201	(122 558 550)	

The accounting policies on pages 12 to 23 and the notes on pages 24 to 61 form an integral part of the annual financial statements.

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP).

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Changes in accounting policies and comparability

Changes in accounting policies due to adoption of newly effective Standards of GRAP are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of a change in policy or where allowed transitional provisions are adopted. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

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

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality changes an accounting policy only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

1.4 Comparative information

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

1.5 Significant judgements and sources of estimation uncertainty

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the annual financial statements:

Financial assets and liabilities

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

Impairment: Write down of Property, Plant and Equipment (PPE) and inventories

An allowance for writing inventory down to the lower of cost or net realisable value where required, management determine estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit for the period in which it arises.

Significant estimates and judgments are made relating to PPE impairment tests and impairment of inventories.

Impairment of financial assets

In making the estimation of impairment, management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments. Management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of Property, Plant and Equipment

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 assets are available for use. The useful lives and residual values of the assets are based on industry knowledge. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The municipality shall assess at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting policies, Changes in Accounting Estimates and Errors (GRAP 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 health benefit obligations and long-service awards. Details of the liabilities are provided in the notes to the annual financial statements. Assumptions of the actuaries are contained in the actuary reports. Multi-employer defined benefit funds are accounted for as defined contribution plans.

Biological assets

The fair value of plantations is subject to the conversion of hectares to tons. The municipality engages the services of professional valuers for the determination of fair value.

Cash generating/ non-cash generating assets

The municipality's assets are used for service delivery and are therefore classified as non cash generating assets.

Statutory receivables

The municipality accounts for statutory receivables which arise from the implementation of the Municipal Property Rates Act 6 of 2004 (MPRA) and the National Road Traffic Act 93 of 1996 (NRTA).

Transaction amounts for these statutory receivables are determined with reference to property values taking into consideration any exemptions, rebates and reductions as per policy for property rates and schedules as per the act and offence in the case of traffic fines.

Agency/ Principal arrangements

The municipality classifies arrangements in which the municipality acts on behalf of other entities / organisations for the benefit of residents or beneficiaries other than the municipality itself as Agency/ Principal transactions. The municipality does not recognise any revenue or losses in respect of these arrangements.

Revenue recognition

In making their judgement, management considers the detailed criteria for the recognition of revenue in particular when services are rendered, whether the service has been rendered. Management of the municipality is satisfied that recognition of revenue in the current year is appropriate. Revenue from plantation sale is recognised when all the risk and rewards of ownership have been passed to the buyer.

1.6 Biological assets

The municipality owns wattle, gum and pine plantations. For subsequent measurement the plantations are measured at fair value less cost to sell.

Fair value is based on active market prices less costs to sell for timber at rotation age and the cost value approach for timber at pre-rotation age.

A gain or loss arising on subsequent measurement is recognised in surplus or deficit for the period in which the gain or loss arises.

1.7 Investment property

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

- use in the production or supply of goods or services or for

Accounting Policies

1.7 Investment property (continued)

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

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

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

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

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

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

Fair value

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

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

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

1.8 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Land is not depreciated as it is regarded as having an indefinite life. Depreciation of assets other than land is calculated, using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

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

Item	Average useful life
Buildings	5 to 50 years
Furniture and fixtures	7 to 10 years
Motor vehicles	5 to 10 years
Office equipment	3 to 5 years

Accounting Policies**1.8 Property, plant and equipment (continued)****Infrastructure**

• Roads and paving	10 to 20 years
• Pedestrian malls	3 years
• Major substation buildings	10 to 50 years
• Transformers and related equipment	20 to 50 years
• Mains	20 years
• Street lights	20 years

Community

• Buildings	5 to 50 years
• Security	5 to 10 years

Other property, plant and equipment

3 years

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

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

Subsequent measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

1.9 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

Item	Useful life
Computer software, other	5 years

Accounting Policies

1.9 Intangible assets (continued)

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from their use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.10 Heritage assets

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.11 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

Accounting Policies

1.11 Financial instruments (continued)**Classification**

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
VAT Receivable	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
VAT payable	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
Provisions	Financial liability measured at amortised cost
Advances - Agency/ Principal relationship transactions	Financial liability measured at amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition at amortised cost.

All financial assets measured at amortised cost, are subject to an impairment review.

Impairment of financial assets

The municipality 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.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced 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, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Accounting Policies

1.11 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

The municipality derecognises financial liabilities when the municipality's obligations are discharged, cancelled or they expire.

1.12 Statutory receivables

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 receivables 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.

Interest or other charges levied/charged

Interest on outstanding balances is charged on overdue property rates balances and form part of statutory receivables at 1.5% per month on the outstanding balance excluding interest.

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

All balances outstanding for more than 180 days on inactive accounts are deemed 100% impaired, while those for active accounts are deemed impaired by 50%. Balances older than 90 days up to 180 days are deemed impaired by 50%. Balances owing by government and government departments are not deemed impaired regardless of the ageing.

Recognition

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accounting Policies

1.13 Leases

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

Operating leases - lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

Operating leases - lessee

Operating lease rentals are recognised as an expense in surplus or deficit for the year on a straight-line basis over the term of the relevant lease.

1.14 Inventories

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

Subsequently inventories are measured at the lower of cost determined on the weighted average basis and, net realisable value.

1.15 Impairment of non-cash-generating assets

Identification

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

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

Value in use

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

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

Depreciated replacement cost approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

1.16 Accounting by principals and agents

Identifying whether the municipality is a principal or an agent

Management assesses whether the municipality is party to any principal-agent arrangements. Should the municipality be party to such an arrangement, management assesses whether it is a principal or an agent in the arrangement. The assessment of whether the 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 the municipality will be an agent. Where the municipality concludes that it is not the agent, then it is the principal in the transactions.

The entity 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

Recognition

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

1.17 Employee benefits

Long service awards

The municipality has an obligation to provide benefits to its employees. The municipality's liability is based on actuarial valuation using actuary assumptions. Actuarial gains and losses on the long-term incentives are accounted for in surplus or deficit for the year.

Accounting Policies

1.18 Provisions and contingencies

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 or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

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.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

Contingent assets and contingent liabilities are not recognised. Contingent assets and liabilities are disclosed in the notes to the annual financial statements.

1.19 Commitments

Commitments inclusive of VAT are disclosed for all capital and operational projects. The commitment is measured at the value of the contract less amounts incurred.

1.20 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue comprises the fair value of the consideration received or receivable for the sale or rendering of services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the transaction have been resolved. The municipality bases its estimates on historical results, taking into consideration the consumer, transaction and the specifics of each arrangement.

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

Service charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made when meter readings cannot be performed.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale.

Plantation sales

Revenue from plantation sales is recognised when all the risks and rewards of ownership have passed to the buyer.

Approved Tariff charges and Rentals

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

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement where material, where such lease periods span over more than one financial year.

Finance Income

Interest earned on investments is recognised in surplus or deficit for the year on the time proportion basis that takes into account the effective yield on the investment.

1.21 Revenue from non-exchange transactions

Rates, including collection charges and penalties and interest.

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines.

Revenue from issuing of traffic fines is recognised when it is probable that economic benefits associated with a transaction will flow to the Municipality and can be measured reliably.

Revenue from traffic fines is initially fair value and subsequently tested for impairment.

The revenue from traffic fines is subject to judicial process which is outside the municipality's control.

Public contributions.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Revenue is recognised at the fair value of the consideration received. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

Government grants and receipts.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised as accounts receivable in the period in which they become receivable.

Interest earned on investments arising from grant received, is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability and if it is not payable to the funder, it is recognised as interest earned in surplus or deficit for the year.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. These costs are recognised as expenses in surplus or deficit for the year.

1.23 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)

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

1.24 Fruitless and wasteful expenditure

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

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

1.25 Irregular expenditure

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

Accounting Policies

1.26 Housing operating account

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the fund.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the account. Where the municipality experiences a net loss on proceeds realised these are funded by the accumulated surplus. Monies standing to the credit of the account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial Member of the Executive Committee responsible for housing.

1.27 Value Added Tax (VAT)

The municipality accounts for VAT on the accruals 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.

1.28 Budget information

The municipality presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as a separate statement called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the financial statements. The budget and financial statements are comparable on an accruals basis.

1.29 Related parties

Individuals, including councillors, as well as their close family members, and/ or entities are related parties if one party has the ability to, directly or indirectly, to control or jointly control the other party, or exercise significant influence over the other party in making financial and/ operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.30 Accounting by principals or agents

A principal-agent arrangement results from a binding arrangement in which one entity, the municipality, undertakes transactions with third parties on behalf, and for the benefit of, another entity, the principal. The municipality recognises increases in assets and related increases in liabilities on receipt of the related funding. The liability is reduced when the amounts are spent in accordance with funding conditions.

1.31 Events after reporting date

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

1.32 Offsetting

Assets, liabilities, revenue and expenses are not offset, except where offsetting is required or permitted by Standards of GRAP.

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

2. New standards and interpretations**2.1 Standards and interpretations issued, but not yet effective**

The following new GRAP standards have been approved but are not yet effective.

GRAP 25 - Employee Benefits

The objective of this standard is to prescribe the accounting and disclosure requirements for employee benefits. The standard is expected to have an impact on the municipality as the municipality has employees who it pays on a monthly basis and also contributes to post retirement medical aid.

GRAP 104 – Financial instruments

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. The standard is expected to have an impact on the municipality as the municipality has accounts receivable and payable. The revised standard will come into effect in 2025.

2.2 Interpretations approved but not yet effective

The following interpretations have been approved but are not yet effective.

IGRAP 7: Limit on a Defined Benefit Asset Min Fund Requirement and Interact - This Interpretation applies to all post-employment defined benefits and other long-term employee defined benefits. The effective date is still to be announced.

IGRAP 21 - The Effect of Past Decisions on Materiality - The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods. The effective date of this interpretation is still to be announced.

UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
3. Inventories		
Consumables	4 566 920	3 235 523
Carrying value of inventories carried at fair value less costs to sell	-	79 483
Inventories recognised as an expense during the period	11 529 010	7 029 350
Inventory pledged as security		
No inventory was pledged as security.		
4. Other receivables		
Impairment	(1 270 144)	(1 101 904)
Other receivables	4 672 350	4 210 273
	3 402 206	3 108 369
Other receivables include Eskom deposits amounting to R 2 523 610, a court award amounting to R762 025 and debt arrangement amounting to R474 882		
Other receivables impaired		
As of 30 June 2022, trade and other receivables of NIL- (2021: R 757 889) were impaired and provided for.		
The amount of the provision was NIL - as of 30 June 2022 (2021: R 757 889).		
The ageing of these receivables is as follows:		
Over 6 months	-	757 890
Reconciliation of provision for impairment of other receivables		
Opening balance	(1 270 144)	(512 254)
Contribution to impairment	-	(757 890)
	(1 270 144)	(1 270 144)
5. Receivables from exchange transactions		
Gross balances		
Electricity	19 001 754	18 855 865
Interest	-	4 838 091
Refuse	9 692 039	9 442 239
Housing rental	57 487	87 402
Sundry debtors	6 616 972	12 123 934
	35 368 252	45 347 531
Less: Allowance for impairment		
Electricity	(4 733 818)	(7 076 945)
Interest	410 030	(3 289 783)
Refuse	(4 176 429)	(4 726 165)
Housing rental	(52 437)	(77 736)
Sundry debtors	(4 232 801)	(3 090 881)
	(12 785 455)	(18 261 510)
Net balance		
Electricity	14 267 936	11 778 920
Interest	410 030	1 548 308
Refuse	5 515 610	4 716 074
Housing rental	5 050	9 666
Sundry debtors	2 384 171	9 033 053
	22 582 797	27 086 021

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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5. Receivables from exchange transactions (continued)**Electricity and other**

Current (0 -30 days)	10 166 409	10 251 715
31 - 60 days	54 267	1 743 219
61 - 90 days	1 124 381	1 376 736
91 - 120 days	1 041 754	1 302 708
121 and above	23 103 337	30 673 153
	35 490 148	45 347 531

Reconciliation of allowance for impairment

Balance at beginning of the year	(18 261 510)	(20 534 084)
Contributions to allowance	(3 867 432)	(17 885 024)
Debt impairment written off against allowance	9 343 487	20 157 598
	(12 785 455)	(18 261 510)

The municipality recorded a material provision for debt impairment and also a write off of balances relating to deceased and indigent consumers during the year. Interest outstanding was written off in line with a decision reached to suspend interest until further notice.

Interest was not charged during the year in line with the resolution made by Council to suspend interest billing as a measure to cushion consumers from the economic hardships resulting from Covid-19. This resolution is still in place.

Consumer debtors past due but not impaired

At 30 June 2022, R 2 220 402 (2021: R 4 422 663) were past due but not impaired.

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

1 month past due	54 267	1 743 219
2 months past due	1 124 381	1 376 736
3 months past due	1 041 754	1 302 708
	2 220 402	4 422 663

Receivables from exchange transactions pledged as security

No receivables from exchange transactions have been pledged as security.

Receivables from exchange transactions impaired

As of 30 June 2022, consumer debtors of R 23 103 336 (2021: R 35 095 815) were impaired and provided for.

The amount of the provision was R 12 785 455 as of 30 June 2022 (2021: R 18 261 510).

The ageing of these receivables is as follows:

3 to 5 months	3 099 572	6 179 798
Over 5 months	20 003 764	28 916 017
	23 103 336	35 095 815

6. Receivables from non-exchange transactions

Fines	8 296 940	7 514 440
Fines - Impairment	(7 813 449)	(7 074 540)
Property rates	30 009 201	32 277 202
Property rates - impairment	(9 554 712)	(9 688 378)
	20 937 980	23 028 724

UMVOTI LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
6. Receivables from non-exchange transactions (continued)		
Property Rates		
Current (0 -30 days)	4 778 455	5 534 327
61 - 90 days	899 396	1 496 083
91 - 120 days	777 957	1 384 788
121 days and above	23 551 111	23 862 004
	30 006 919	32 277 202

Statutory receivables - Receivables from non-exchange transactions pledged as security

No statutory receivables were pledged as security.

Statutory receivables - Receivables from non-exchange transactions past due but not impaired

At 30 June 2022, R 1 677 353 (2021: R 2 880 871) were past due but not impaired.

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

2 months past due	899 396	1 496 083
3 months past due	777 957	1 384 788
	1 677 353	2 880 871

Receivables from non-exchange transactions impaired

As of 30 June 2022, statutory receivables - receivables from non-exchange transactions of R 24 430 749 (2021: R 26 742 874) were impaired and provided for.

The amount of the provision was R 17 368 161 as of 30 June 2022 (2021: R 16 762 918).

The ageing of these receivables is as follows:

3 to 5 months	1 476 435	5 428 220
Over 5 months	22 954 314	21 314 654
	24 430 749	26 742 874

Reconciliation of provision for impairment - receivables from non-exchange transactions

Opening balance	(16 762 918)	(18 153 295)
Provision for impairment	(5 323 277)	(4 608 482)
Amounts written off as uncollectible	4 718 034	5 998 859
	(17 368 161)	(16 762 918)

The municipality recorded a material provision for debt impairment and also a write off of balances relating to deceased and indigent consumers during the year. Interest outstanding was written off in line with a decision reached to suspend interest until further notice.

UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	108 695	96 829
Bank balances	2 846 362	6 477 380
Short-term deposits	41 163 144	48 632 562
	44 118 201	55 206 771

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
STANDARD BANK - 268530947-046	9 614 183	182 844	12 358 466	9 614 183	182 844	12 358 466
STANDARD BANK - 268530947-043	4 585 731	10 218 786	-	4 585 731	10 218 786	-
STANDARD BANK - 268530947-044	-	-	3 543 605	-	-	3 543 605
NEDBANK - 037165015566-144	25 086 943	11 155 342	-	25 086 943	11 155 342	-
NEDBANK - 037165015566-336	1 246 631	1 200 760	-	1 246 631	1 200 760	-
NEDBANK - 037165015566-314	-	2 788 806	-	-	2 788 806	-
NEDBANK - 037165015566-335	629 656	1 715 273	-	629 656	1 715 273	-
NEDBANK - 037165015566-313	-	509 515	-	-	509 515	-
NEDBANK - 037165015566-334	-	483 360	-	-	483 360	-
NEDBANK - 037165015566-202	-	20 377 876	-	-	20 377 876	-
STANDARD BANK MAIN	2 846 362	6 477 380	15 635 737	2 846 362	6 477 380	15 635 737
ABSA MAIN ACCOUNT	-	-	5 291 272	-	-	5 291 272
Cash on hand	-	-	-	108 695	96 829	158 571
Total	44 009 506	55 109 942	36 829 080	44 118 201	55 206 771	36 987 651

8. Biological assets

	2022		2021	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Trees in a plantation forest	126 369 690	-	101 470 501	-

Reconciliation of biological assets -June 2022

	Opening balance	Additions	Gains or losses arising from changes in fair value	Decreases due to harvest/sales	Total
Trees in a plantation forest	101 470 501	7 729 835	21 393 580	(4 224 226)	126 369 690

Reconciliation of biological assets -June 2021

	Opening balance	Gains or losses arising from changes in fair value	Decreases due to harvest/sales	Total
Trees in a plantation forest	95 675 910	8 120 080	(2 325 489)	101 470 501

Pledged as security

No Biological assets were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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9. Investment property

	2022		2021	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	88 413 000	- 88 413 000	87 261 500	- 87 261 500

Reconciliation of investment property -June 2022

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	87 261 500	(95 000)	1 246 500	88 413 000

Reconciliation of investment property -June 2021

	Opening balance	Fair value adjustments	Total
Investment property	86 442 000	819 500	87 261 500

Pledged as security

No assets were pledged as security:

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

The valuation was conducted by Mills Fitchet, who hold recognised and relevant professional qualifications and have recent experience in the valuation of similar properties. The last valuation was performed as at 30 June 2022.

UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

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2021

10. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	19 420 574	-	19 420 574	19 420 574	-	19 420 574
Buildings	69 601 550	(37 166 619)	32 434 931	69 501 650	(32 550 268)	36 951 382
Plant and machinery	23 951 495	(16 904 532)	7 046 963	22 973 438	(15 474 567)	7 498 871
Furniture and fixtures	6 448 355	(3 631 321)	2 817 034	5 890 270	(3 115 262)	2 775 008
Motor vehicles	27 136 663	(19 435 524)	7 701 139	28 810 503	(18 239 895)	10 570 608
Office equipment	2 888 456	(1 768 813)	1 119 643	2 454 353	(1 484 002)	970 351
Infrastructure	409 836 710	(190 006 691)	219 830 019	410 088 726	(171 009 544)	239 079 182
Community assets	145 011 244	(53 629 628)	91 381 616	127 428 417	(47 422 954)	80 005 463
Work in Progress - Infrastructure	43 595 536	-	43 595 536	18 135 542	-	18 135 542
Work in Progress - Community assets	41 013 020	-	41 013 020	42 603 400	-	42 603 400
Total	788 903 603	(322 543 128)	466 360 475	747 306 873	(289 296 492)	458 010 381

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Annual Financial Statements for the year ended 30 June 2022

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2022

	Opening balance	Additions	Transfers in/ (out)	Assets written	Depreciation	Impairment loss	Total
Land	19 420 574	-	-	-	-	-	19 420 574
Buildings	36 951 382	99 900	-	-	(4 616 351)	-	32 434 931
Plant and machinery	7 498 871	978 057	-	-	(1 429 965)	-	7 046 963
Furniture and fixtures	2 775 008	739 086	-	(98 856)	(598 204)	-	2 817 034
Motor vehicles	10 570 608	-	-	(653 810)	(2 215 659)	-	7 701 139
Office equipment	970 351	480 572	-	(12 954)	(318 326)	-	1 119 643
Infrastructure	239 079 182	-	-	(111 258)	(18 247 414)	(890 491)	219 830 019
Community assets	80 005 463	-	17 582 826	-	(4 054 470)	(2 152 203)	91 381 616
Work in Progress - Infrastructure	18 135 542	25 459 994	-	-	-	-	43 595 536
Work in Progress - Community assets	42 603 400	15 992 447	(17 582 827)	-	-	-	41 013 020
	458 010 381	43 750 056	(1)	(876 878)	(31 480 389)	(3 042 694)	466 360 475

UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021				
10. Property, plant and equipment (continued)						
Reconciliation of property, plant and equipment -June 2021						
	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	19 420 574	-	-	-	-	19 420 574
Buildings	44 343 454	109 862	-	(5 530 514)	(1 971 420)	36 951 382
Plant and machinery	9 027 280	45 200	555 124	(1 553 553)	(575 180)	7 498 871
Furniture and fixtures	3 784 671	14 800	203 067	(1 225 610)	(1 920)	2 775 008
Motor vehicles	14 078 215	-	-	(2 527 563)	(980 044)	10 570 608
Office equipment	784 568	437 272	-	(250 669)	(820)	970 351
Infrastructure	255 483 487	800 000	884 968	(18 089 273)	-	239 079 182
Community Assets	91 053 471	229 500	848 793	(4 106 648)	(8 019 653)	80 005 463
Work in Progress - Infrastructure	10 223 893	10 403 603	(2 491 954)	-	-	18 135 542
Work in Progress - Community Assets	10 338 730	32 264 670	-	-	-	42 603 400
	458 538 343	44 304 907	(2)	(33 283 830)	(11 549 037)	458 010 381
Pledged as security						
No assets were pledged as security.						
Property, plant and equipment in the process of being constructed or developed						
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected						
Fencing material for the Botanic Gardens					150 000	8 086 246
Construction of Khokhoba to Matshemane Link Road					9 465 878	-
The Municipality anticipated terminating the Contractor in quarter 3 due to slow performance however the Contractor presented a revised implementation and showed some improvement on site however The contractor failed to meet the agreed revised implementation plan. The Municipality then terminated the contract on the 1st June 2022. The contractor will be appointed to complete the outstanding activities..]						
Construction of Enhlalakahle Sportfield					12 310 474	-
The contractor was terminated due to poor performance, this impacted on the outstanding activities not being completed. The new contractor to be appointed and now the project is on tender stage for appointment of the new contractor.						
Construction of Ward 1 Sportfield					16 955 836	-
Construction of Candabuthule Sportfield					15 538 205	-
Emabomvini Electrification					24 868 226	-
During construction the contractor encountered in most parts of the wards hard rock that delayed the completion of excavations and planting of both MV/LV network infrastructure. (Rock Drilling machinery was used).						
• There was also a stage whereby the contractor had to stop working as there was a challenge of the servitude from one landowner and this also delayed the progress of the project. (Still unresolved).						
• The challenge that encountered is that we had to wait over a month and half, as Eskom is using one clerk of works across all the electrification projects, and his availability is depended on his backlog. (Still awaiting inspection sheets). The abovementioned delayed the project energizing as the project was supposed to have been energized in June 2022.						
					79 288 619	8 086 246
Carrying value of property plant and equipment included in the assets register to be disposed in the next financial year						
Property, plant and equipment					265 662	526 321
The assets were assessed as unable to provide the municipality with the expected minimum service or have reached the end of their useful lives and no meaningful value is derived from further extension of their useful lives.						
					265 662	526 321

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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10. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted Services	9 946 292	8 446 774
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. Office equipment includes computer equipment, television screens, radios and UPS.

11. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 374 840	(1 683 977)	690 863	2 374 840	(1 597 619)	777 221

Reconciliation of intangible assets - June 2022

	Opening balance	Amortisation	Total
Computer software	777 221	(86 358)	690 863

Reconciliation of intangible assets - June 2021

	Opening balance	Amortisation	Total
Computer software	941 698	(164 477)	777 221

Pledged as security

No intangible assets were pledged as security:

12. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	355 590	-	355 590	355 590	-	355 590

Reconciliation of heritage assets - June 2022

	Opening balance	Total
Historical monuments	355 590	355 590

Reconciliation of heritage assets June 2021

	Opening balance	Total
Historical monuments	355 590	355 590

Pledged as security

No heritage assets were pledged as security:

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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13. Advances - Agency/Principal transactions**Umvoti Local Municipality as agent for ESKOM (INEP)**

The municipality entered into an arrangement with ESKOM whereby the municipality acts as ESKOM's agent managing construction of electrical infrastructure in areas not covered by Umvoti's licence. The municipality receives cash from ESKOM, 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.

Umvoti Local Municipality as agent for the Department of Economic Development, Tourism and Environmental Affairs

The municipality entered into an arrangement with the Department of Economic Development, Tourism and Environmental Affairs whereby the municipality acts as an agent on behalf of the department in overseeing acquisition/ construction of trading structures for distribution to beneficiaries within the Umvoti area. The municipality receives cash from the department, accepts invoices from service providers for work done and manages the payment process on behalf of the department. The risks that may arise in the execution of the project are the responsibility of the principal - the department. A reconciliation of the funds received and paid and any outstanding balances are disclosed below.

Umvoti Local Municipality as agent for the Department of Human Settlements

The municipality entered into an arrangement with the Department of Human Settlements whereby the municipality acts as an agent on behalf of the department in overseeing the contractors engaged by the department to build low cost houses for distribution to beneficiaries within the Umvoti area. The municipality receives cash from the department, accepts invoices from service providers for work done and manages the payment process on behalf of the department. The risks that may arise in the execution of the housing projects are the responsibility of the principal - the department. A reconciliation of the funds received and paid and any outstanding balances are disclosed below.

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

As at 30 June, the assets and liabilities at hand with regards to the agency/ principal relationship between the municipality and its principals are shown below:

Assets (cash) held at year end:

Department of Economic Development, Tourism and Environmental Affairs	2 002 111	3 000 000
Department of Human Settlements	859 963	859 963
	2 862 074	3 859 963

Liabilities outstanding at year end:

Department of Human Settlements	5	-
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Reconciliation of funds received:

Reconciliation of receipts and payments from funds received and utilised under the agency/ principal arrangement between the municipality and its principals is shown below:

Department of Economic Development, Tourism and Environmental Affairs

Opening balance	3 000 000	-
Received during the year	-	3 000 000
Expenditure for the year	(881 284)	-
	2 118 716	3 000 000

ESKOM (INEP)

Opening balance	(168 240)	-
Received during the year	17 237 000	12 000 000
Expenditure for the year	(17 068 760)	(12 168 240)
Transferred to other receivables	-	168 240
	-	-

Department of Human Settlements

Opening balance	859 963	6 848 860
Received during the year	60 779 876	121 105 430
Expenditure for the year	(60 779 876)	(127 094 327)

UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
13. Advances - Agency/Principal transactions (continued)	859 963	859 963
Total advances		
Opening balance	3 859 963	6 848 860
Received during the year	78 016 876	136 105 430
Expenditure for the year	(78 729 920)	(139 262 567)
Transferred (from)/ to receivables	(168 240)	168 240
	2 978 679	3 859 963
14. Payables from exchange transactions		
Trade payable	24 129 132	19 360 352
Payments received in advance	167 987	127 237
Retentions	11 965 000	11 850 903
Accrued leave pay	12 274 574	11 488 050
Sundry deposits	173 869	178 445
Staff bonus - accrual	3 884 123	3 433 947
Other creditors	14 225 127	16 410 376
	66 819 812	62 849 310
Other creditors include payments not yet presented to the bank amounting to R3 983 629 (2021: R6,685,308) and debtors with credit balances amounting to R6 636 783 (2021: R7,364,741.00)		
15. VAT payable		
Tax payable	10 695 114	10 473 276
16. Consumer deposits		
Electricity	2 440 714	2 419 153
17. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Single Landuse Scheme	-	317 000
Urban renewal	-	1 199 126
Energy Efficiency and Demand Side Management Grant	784	-
Public donations	-	5 500
Massification	1 166 472	1 166 472
Eshane development	-	374
Corridor development	-	2 040
Gijima KZN	-	12 451
Storm damage	43 170	43 170
Phasiwe farm	-	17 399
Specific program	-	77 353
Taxi rank	-	98 264
Sports and recreation grant	-	3 408 272
	1 210 426	6 347 421
Movement during the year		
Balance at the beginning of the year	6 347 421	16 929 528
Additions during the year	194 030 000	207 504 869
Income recognition during the year	(199 166 995)	(218 086 976)
	1 210 426	6 347 421

UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

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18. Provisions

Reconciliation of provisions - June 2022

	Opening Balance	Actuarial (gain) / loss	Current service cost	Vesting benefits	Interest	Total
Long Service Awards	5 798 000	279 559	670 000	(643 000)	528 000	6 632 559

Reconciliation of provisions - June 2021

	Opening Balance	Actuarial (gain) / loss	Current service cost	Vesting benefits	Interest	Additions of pro-rata LSA	Total
Long Service Awards	4 819 000	(286 000)	617 000	(610 000)	343 000	915 000	5 798 000
Non-current liabilities		5 933 851	5 155 000				
Current liabilities		698 708	643 000				
		6 632 559	5 798 000				

The municipality rewards qualifying employees for serving a continuous period of 10, 15, 20, 25, 30, 35, 40 and 45 years. At each reporting date the municipality estimates the long service awards using qualified actuaries.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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19. Employee benefit obligations**Defined benefit plan****Post retirement medical aid plan**

The municipality offers employees and continuation members an opportunity to belong to one of several medical aid schemes (Bonitas, Key Health, LA Health, SAMWU Med), most of which offer a range of options pertaining to levels of cover. The post employment medical aid benefit actuarial valuation was conducted by One Pangaea Expertise and Solutions. Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death in retirement, the surviving dependants may continue membership of the medical scheme.

Movement in the defined benefit obligation plan

Opening balance	25 722 000	21 874 000
Current service cost	842 000	666 000
Interest	2 681 000	2 348 000
Actuarial (gain)/loss	(1 571 498)	1 827 000
Transferred to current	(1 025 934)	(993 000)
	26 647 568	25 722 000

Long service awards**Movement in the defined benefit obligation**

Opening balance	5 798 000	4 819 000
Current service cost	670 000	617 000
Interest	528 000	343 000
Actuarial (gain)/loss	279 559	(286 000)
Vesting benefits	(643 000)	(610 000)
Other	(698 708)	915 000
	5 933 851	5 798 000

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	13,02 %	10,22 %
Expected rate of return on reimbursement rights	8,04 %	9,62 %

The average retirement age is 62 years.

UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
20. Finance lease obligation		
Minimum lease payments due		
- within one year	151 537	202 050
- in second to fifth year inclusive	-	151 537
	<u>151 537</u>	<u>353 587</u>
less: future finance charges	(4 327)	(21 709)
Present value of minimum lease payments	<u>147 210</u>	<u>331 878</u>
Present value of minimum lease payments due		
- within one year	147 210	184 668
- in second to fifth year inclusive	-	147 210
	<u>147 210</u>	<u>331 878</u>
Non-current liabilities	-	147 210
Current liabilities	147 210	184 668
	<u>147 210</u>	<u>331 878</u>

The average lease term was 24 months and the average effective borrowing rate was 7% (2021: 7%).

Interest rates are fixed at the contract date.

Defaults and breaches

The municipality is not in breach of any of its obligations under the agreement

Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

Rand	147 210	331 878
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For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note 45.

The fair value of finance lease liabilities approximates their carrying amounts.

21. Housing operating account

Opening balance	6 921	6 921
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22. Service charges

Electricity revenue	89 986 144	82 856 520
Refuse revenue	9 912 071	9 111 597
	<u>99 898 215</u>	<u>91 968 117</u>

23. Agency services

Licenses	1 777 997	1 446 175
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The municipality receives revenue from the department of transport as commission for issuing motor vehicle licenses on its behalf. No revenue accrued from transactions disclosed in note 23 for agency on behalf of department of housing, Eskom and EDTEA.

24. Sale of timber

Revenue from sale of timber	17 593 033	2 325 489
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Revenue from sale of timber increased significantly as a result of the change in the terms of the agreements between the municipality and the service providers assisting the municipality with forestry management.

UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
25. Other income		
Escort fees	278 306	211 704
Sundry receipts	2 768 628	3 286 482
	3 046 934	3 498 186

Sundry receipts include income from sale of tender documents, fees charged on spatial planning and land use management, photocopies and clearance certificates.

26. Interest earned

Interest revenue		
Bank	2 846 366	1 852 255

27. Property rates

Rates receivable

Residential	13 562 505	13 795 343
Commercial	19 322 149	18 564 412
State	6 404 197	6 508 152
Small holdings and farms	5 985 877	8 518 279
Vacant land	398 661	447 271
	45 673 389	47 833 457

Rates income from State Owned Properties fell as a result of additional rebates given to consumers as part of measures to cushion the consumers from economic hardships.

Valuations

Residential	1 258 998 934	1 266 585 285
Commercial	674 181 000	679 867 000
State	294 117 300	279 136 300
Municipal	150 910 500	77 359 500
Small holdings and farms	3 157 951 700	3 070 386 300
Industrial	303 005 000	230 675 000
Vacant land	18 335 600	18 680 600
Other	582 235 000	653 398 000
	6 439 735 034	6 276 087 985

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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Figures in Rand	2022	2021
28. Government grants and subsidies		
Operating grants		
Equitable share	145 819 000	165 931 000
Museum subsidy	225 000	213 000
Library subsidy	2 113 000	2 035 000
Expanded Public Works Programme	-	1 447 000
Finance Management Grant (FMG)	2 550 000	2 700 000
Skills Development Grant	243 798	169 869
Taxi Rank	98 264	-
Energy Efficiency and Demand Side Management Grant	1 999 216	-
Corridor Development	2 040	-
Public contributions	5 500	-
INEP Rural Electrification	77 353	-
	153 133 171	172 495 869
Capital grants		
Municipali Infrastructure Grant (MIG)	41 323 000	37 397 692
Urban renewal	1 199 126	2 783 454
Sports and Recreation	3 408 272	4 926 961
Single land use schedme	317 000	483 000
Eshane Development	374	-
Gijima KZN	12 451	-
Phasiwe Farm	17 399	-
	46 277 622	45 591 107
	199 410 793	218 086 976
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	48 211 000	52 155 976
Unconditional grants received	130 391 679	165 931 000
	178 602 679	218 086 976
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Museum Subsidy		
Current-year receipts	225 000	213 000
Conditions met - transferred to revenue	(225 000)	(213 000)
	-	-
Library Subsidy		
Current-year receipts	2 113 000	2 035 000
Conditions met - transferred to revenue	(2 113 000)	(2 035 000)
	-	-
Financial Management Grant (FMG)		
Current-year receipts	2 550 000	2 700 000
Conditions met - transferred to revenue	(2 550 000)	(2 700 000)
	-	-

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28. Government grants and subsidies (continued)		
Skills Development Grant		
Current-year receipts	243 798	169 869
Conditions met - transferred to revenue	(243 798)	(169 869)
	-	-
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of the period	-	8 138 692
Current-year receipts	41 323 000	29 259 000
Conditions met - transferred to revenue	(41 323 000)	(37 397 692)
	-	-
Urban renewal		
Balance unspent at beginning of the period	1 199 126	3 982 580
Current-year receipts	-	-
Conditions met - transferred to revenue	(1 199 126)	(2 783 454)
	-	1 199 126
Sports and Recreation		
Balance unspent at beginning of the period	3 408 272	2 585 233
Current-year receipts	-	5 750 000
Conditions met - transferred to revenue	(3 408 272)	(4 926 961)
	-	3 408 272
Single Land-use Scheme		
Balance unspent at beginning of the period	317 000	800 000
Conditions met - transferred to revenue	(317 000)	(483 000)
	-	317 000
Expanded Public Works Programme (EPWP)		
Current-year receipts	-	1 447 000
Conditions met - transferred to revenue	-	(1 447 000)
	-	-

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
28. Government grants and subsidies (continued)		
Public contribution		
Balance unspent at beginning of the period	5 500	5 500
Conditions met - transferred to revenue	(5 500)	-
	-	5 500
Massification		
Balance unspent at beginning of the period	1 166 472	1 166 472
Conditions still to be met - remain liabilities (see note 17).		
Eshane development		
Balance unspent at beginning of the period	374	374
Conditions met - transferred to revenue	(374)	-
	-	374
Corridor Development		
Balance unspent at beginning of the period	2 040	2 040
Conditions met - transferred to revenue	(2 040)	-
	-	2 040
Gijima KZN		
Balance unspent at beginning of the period	12 451	12 451
Conditions met - transferred to revenue	(12 451)	-
	-	12 451
Storm damage		
Balance unspent at beginning of the period	43 170	43 170
Conditions still to be met - remain liabilities (see note 17).		
Phasiwe farm		
Balance unspent at beginning of the period	17 399	17 399
Conditions met - transferred to revenue	(17 399)	-
	-	17 399
Specific programme		
Balance unspent at beginning of the period	77 353	77 353
Conditions met - transferred to revenue	(77 353)	-
	-	77 353
Taxi Rank		
Balance unspent at beginning of the period	98 264	98 264
Conditions met - transferred to revenue	(98 264)	-
	-	98 264
Energy Efficiency and Demand Side Management Grant		
Current-year receipts	2 000 000	-

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Figures in Rand	2022	2021
28. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(1 999 216)	-
	784	-

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Figures in Rand	2022	2021
29. Employee related costs		
Basic	96 144 392	84 953 422
Bonus	7 465 941	6 123 808
Medical Aid - company contributions	3 344 564	3 191 370
UIF	924 242	778 314
WCA	976 341	823 561
SDL	1 266 410	959 221
SALGA Levies	52 085	47 652
Leave pay	2 315 688	1 819 842
Defined contribution plans	925 199	1 654 739
Travel, motor car, accommodation, subsistence and other allowances	5 152 997	3 299 825
Overtime payments	4 410 786	6 176 405
Acting allowances	1 197 454	2 065 021
Housing benefits and allowances	1 087 341	994 266
Group Life Insurance	1 185 493	1 047 234
Pension	10 650 223	9 825 495
Standby allowance	3 195 195	1 610 855
Cellphone allowances	137 600	78 600
Protective clothing	1 325 064	1 109 303
Less: Employee costs included in other expenses	(121 493)	(1 502 964)
	141 635 522	125 055 969

Remuneration of Municipal Manager TN Ngiba (Ms)

Annual Remuneration	947 160	947 160
Car Allowance	180 000	180 000
Housing Allowance	60 000	60 000
Performance Bonus	210 779	-
	1 397 939	1 187 160

Council resolved to suspend the Municipal Manager in December 2022, for non-compliance with various administrative processes. The matter was concluded through a separation settlement agreement approved by council. The contract of the Municipal Manager will come to end on 31 August 2022.

Remuneration of Chief Finance Officer - CB Mkhize (Mrs)

Annual Remuneration	688 159	688 159
Car Allowance	114 000	114 000
Housing Allowance	78 000	78 000
Performance Bonus	154 839	-
	1 034 998	880 159

Remuneration of Director: Corporate Services - M. Maphanga (Mr)

Annual Remuneration	577 005	577 024
Car Allowance	189 450	189 450
Housing Allowance	11 370	113 706
Performance Bonus	126 486	-
	904 311	880 180

Remuneration of Director: Technical services - N Qwabe (Mr)

Annual Remuneration	542 610	542 610
Car Allowance	210 968	210 968
Housing Allowances	126 581	126 581
Performance Bonus	128 800	-
	1 008 959	880 159

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29. Employee related costs (continued)

Remuneration of Director: Community Services - B Mchunu (Mrs)

Annual Remuneration	577 005	577 005
Car Allowance	189 450	189 450
Housing Allowance	113 706	113 705
Performance Bonus	79 214	-
Acting Allowance	41 551	-
	1 000 926	880 160

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
29. Employee related costs (continued)		
Remuneration of Director: Planning - TC Buthelezi (Mr)		
Annual Remuneration	577 005	577 005
Car Allowance	189 450	189 450
Housing Allowance	113 706	113 706
	880 161	880 161
30. Remuneration of Councillors		
Transport allowances	1 300 466	1 751 523
Cellphone allowances	1 074 219	1 172 900
Basic	7 967 834	7 211 331
	10 342 519	10 135 754
In-kind benefits		
The Mayor and the Deputy Mayor and Speaker are provided with an office, secretarial support, vehicles and security at the cost of the Council. The mayor also enjoys the benefit of a council house.		
Detailed disclosure is shown under on note 48, Related parties..		
Councillors allowances		
Mayor	887 959	905 258
Deputy Mayor	709 298	733 088
Speaker	719 858	733 088
Executive Committee Members	1 232 196	1 213 779
Ordinary Councillors	6 793 208	6 550 541
	10 342 519	10 135 754
31. Depreciation and amortisation		
Property, plant and equipment	31 480 389	33 283 830
Intangible assets	86 358	164 477
	31 566 747	33 448 307
32. Impairment of assets		
Impairments		
Property, plant and equipment	3 042 694	11 549 038
The major contributor towards impairment losses was the physical state of the assets.		
The recoverable amount of the asset was based on its fair value less costs to sell.		
The main classes of assets affected by impairment losses are infrastructure and community assets under property, plant and equipment.		
33. Finance costs		
Trade and other payables	111 524	156 242
Other interest accrued - changes in discount rates (Actuarial)	3 226 381	2 697 324
	3 337 905	2 853 566
Interest on trade and other payables represent interest on over due accounts.		
34. Debt impairment		
Debt impairment	9 697 228	23 251 396
Debt impairment decreased substantially as a result of the write off of deceased estates, interest and other untraceable debtor balances resulting in a relatively lower impairment for the year.		

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
35. Bulk purchases		
Electricity - Eskom	75 438 561	64 135 733
36. Contracted services		
Outsourced Services		
Project management advisory services - Plantation management	12 010 708	5 986 559
Engineering services	879 622	503 470
Professional Staff	4 434 736	1 781 666
Security Services	3 253 141	4 776 266
Transport Services	5 215 905	1 806 294
Consultants and Professional Services		
Business and Advisory	6 299 964	5 501 306
Infrastructure and Planning	2 068 483	4 888 143
Valuers and assessors	361 234	342 348
Legal Cost	3 112 391	2 495 566
Contractors		
Catering Services	686 153	17 548
Maintenance of Buildings and Facilities	9 946 292	8 446 774
Other contractors	1 184 510	793 989
	49 453 139	37 339 929

The agreement between the municipality and Bracken Timbers in which Bracken took on some expenditure for the running of the Plantations came to an end. The municipality is now bearing the full cost of running the plantations resulting in a spike in the plantation management expenditure.

37. Indigent support

Services and other	1 982 279	2 751 836
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The municipality provided indigent support to 1014 (1104:2021) indigent customers as at 30 June 2022.

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Figures in Rand	2022	2021
38. General expenses		
Ward committees, Amakhosi stipends	771 750	1 684 209
Advertising	318 233	63 583
Auditors remuneration	2 246 716	2 120 982
Bank charges	336 330	433 847
Audit committee expenses	296 726	180 030
Commission paid - CONTOUR	1 019 258	832 631
Entertainment	349 802	185 361
Animal care and pound	942 910	968 157
Hire charges	10 642 415	7 038 615
Insurance	2 377 599	2 423 282
Community development	3 293 708	4 382 061
IT expenses	56 095	72 385
Motor vehicle expenses	-	10 000
Motor vehicle licensing	266 415	415 453
Postage and courier	-	166 957
Printing and stationery and publication	960 806	884 574
Protective clothing	1 428 077	1 388 662
Software expenses	249 039	850
Subscriptions and membership fees	1 390 546	1 362 339
Telephone and fax	2 984 344	2 960 555
Training	248 776	261 252
Travel - local	38 047	147 575
Title deed search fees	-	46 954
Assets expensed	876 882	-
Electricity	3 476 656	3 753 240
Municipal services	6 107 428	4 510 225
Inventory consumed	11 529 010	7 029 350
Study assistance	661 212	1 930 185
Other expenses	99	118 961
	52 868 879	45 372 275
39. Cash generated from operations		
Surplus	18 453 106	18 345 033
Adjustments for:		
Depreciation and amortisation	31 566 747	33 448 307
Loss on sale of assets	55 000	-
Fair value adjustments	(22 640 080)	(4 386 448)
Impairment provision	3 042 694	11 549 038
Debt impairment	9 697 228	23 251 396
Movements in retirement benefit assets and liabilities	958 502	3 847 000
Movements in provisions	834 559	979 000
Prior year other adjustments	-	(1 941 461)
Post employment employee benefits interest/ actuarial gains	(2 662 983)	2 707 709
Changes in working capital:		
Inventories	(1 331 397)	(1 265 276)
Receivables from exchange transactions	(293 837)	445 409
Receivable from exchange transaction	(5 194 004)	(18 021 547)
Other receivables from non-exchange transactions	2 090 744	(2 093 725)
Payables from exchange transactions	3 970 502	8 273 696
VAT	221 838	1 010 617
Unspent conditional grants and receipts	(5 136 995)	(10 582 107)
Consumer deposits	21 561	(3 205)
	33 653 185	65 563 436
40. Fair value adjustments		
Investment property - (Fair value model)	1 246 500	4 386 448
Biological assets - (Fair value model)	21 393 580	-
	22 640 080	4 386 448

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Figures in Rand	2022	2021
40. Fair value adjustments (continued)		
Fair value changes emanate from investment property and biological assets which are valued by professional valuers on an annual basis.		
41. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	21 594 818	25 868 414
Total capital commitments		
Already contracted for but not provided for	21 594 818	25 868 414
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational	12 230 062	20 141 319
Total operational commitments		
Already contracted for but not provided for	12 230 062	20 141 319
Total commitments		
Total commitments		
Authorised capital expenditure	21 594 818	25 868 414
Authorised operational expenditure	12 230 062	20 141 319
	33 824 880	46 009 733
42. Fruitless and wasteful expenditure		
Opening balance as previously reported	2 037 484	1 842 794
Opening balance as restated	2 037 484	1 842 794
Add: Expenditure identified - current	113 245	194 690
Less: Amount written off - current	(12 861)	-
Less: Amount written off - prior period	(2 037 484)	-
Closing balance	100 384	2 037 484
The municipality incurred fruitless and wasteful expenditure in the form of interest on overdue balances on Eskom and Telkom invoices as well as Umsunduzi Municipality invoices for the use of their landfill sites. The late payments arose from delays in delivery of Eskom and Telkom bills through the post office.		
43. Irregular expenditure		
Opening balance as previously reported	32 666 794	-
Opening balance as restated	32 666 794	-
Add: Irregular Expenditure - current	9 097 953	19 175 963
Add: Irregular Expenditure - prior period	-	14 219 747
Less: Amounts recoverable - current	-	(728 916)
Less: Amount written off - current	(9 097 953)	-
Less: Amount written off - prior period	(32 666 794)	-
	-	32 666 794

The municipality incurred irregular expenditure from not following Supply Chain Management processes and working with suppliers. with expired contracts.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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44. Deviation from supply chain management regulations

Deviations from SCM policy approved by the Accounting Officer.

The accounting officer may dispense with the official procurement process in certain circumstances, provided that she records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

Deviations current period	5 033 622	9 584 208
Considered by council	(5 033 622)	(9 584 208)
	-	-

45. Unauthorised expenditure

Opening balance as previously reported	28 097 929	1 507 909
Opening balance as restated	28 097 929	1 507 909
Add: Expenditure identified - current	9 860 450	26 590 020
Less: Approved/condoned/authorised by council	(37 958 379)	-
Closing balance	-	28 097 929

Unauthorised expenditure in the current year was mainly due to a surge in activity and increase of prices mainly on fuel. The other expenditure items including but not limited to inventory consumed, bulk purchases, hire charges, municipal services

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	-	20 808 720
Cash	9 860 450	5 781 300
	9 860 450	26 590 020

Analysed as follows: non-cash

Depreciation and amortisation	-	11 549 038
Provision of impairment	-	2 734 243
Debt impairment	-	6 525 439
	-	20 808 720

Analysed as follows: cash

Bulk purchases and inventory	6 843 585	1 677 395
General expenditure	2 977 543	(2 207 580)
Employee related costs	-	6 117 588
Social/ Indigent support	39 322	193 897
	9 860 450	5 781 300

Unauthorised expenditure: Budget overspending – per municipal department

Executive and council	2 141 889	2 181 635
Municipal manager	(45 635)	42 778
Corporate services	812 059	1 736 260
Finance	188 517	11 211 166
Planning and economic development	(149 502)	2 480 623
Community services	2 002 630	1 236 103
Technical services	4 910 492	7 701 455
	9 860 450	26 590 020

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
46. Electricity distribution losses		
Units purchased (kwh)	51 272 009	51 418 296
Units sold (kwh)	(39 824 051)	(41 518 210)
	11 447 958	9 900 086
Total cost of Distribution losses in Rands	16 828 498	12 435 274

The municipality incurred distribution losses during the period. These losses are calculated as the difference between power supplies invoiced by Eskom and amounts billed to consumers as above. The losses were due to ageing infrastructure and illegal connections.

The total distribution loss is 22 % at 30 June 2022 and 19.25 % (June: 2021).

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

47. Contingencies**Contingent liabilities**

Estimated contingent liabilities are set out below

- The amount for contingent liabilities disclosed below exclude claimant legal costs which cannot be readily quantified.
- The municipality reclassified VAT claimed on on Agency/ Principal transactions up to 2017 from VAT Payable to contingent liabilities pending determination of the status of this amount. The total cumulative VAT claimed up to 2017 amounts to R10,654,850,

Other estimated contingent liabilities are listed below:

Simply IT Accounting Solutions CC - The municipality is being sued for breach of contract. The matter has proceeded with pretrial notices issued. At this stage it is difficult to assess with certainty whether the municipality will lose as the odds appear to be even.

Ndaba Pheneas Madondo and on other - action was instituted against the municipality for breach of contract. The matter was defended and is now pending at the High Court. At this stage it is not clear whether the municipality will lose the case.

Simply IT Accounting Solutions CC
Ndaba Pheneas Madondo and on other

3 004 655	3 004 655
800 000	800 000
3 804 655	3 804 655

Contingent assets

The municipality instituted legal action against Mondi Limited for breach of contract and is claiming damages amounting to R11,758,844. The matter is being prepared for mediation but it is probable that the suit will lead to successful redress and settlement in full.

The Municipality instituted legal action against Mngoe Transport (Private) Limited to recover an amount of R 2 488 050 for an item of Plant the Municipality ordered and paid for in full but was not delivered. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount and this recovery is virtually certain.

The employee was found guilty on 16 charges and was dismissed in March 2022. His leave and pro-rata bonus was withheld. Thereafter an application was made with the pension fund to attach his pension for the purpose of recovery of the amount owed to the municipality, however the pension fund advised that the municipality has two options to deal recover the amount. The first one is to obtaining a Civil Judgement against the employee and the second option is for the Admission of Liability by the employee. The process is currently underway, but we had requested attorneys to determine the cost of Civil Judgement as option two will be the last resort since the employee has never co-operated in this matter.

48. Related parties

During the year, no transactions were conducted with councillors' or entities in which they held interests.

Particulars regarding remuneration to municipal manager and executive management are set out in note 27.

Key management information

Class	Description	Number
Mayor	Mayor	1
Executive Committee	Councillors	5
Councillors	Councillors	20
Municipal Managers	Senior Managers	1
Executive Management	Senior Managers	5

Remuneration of management

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Figures in Rand	2022	2021			
48. Related parties (continued)					
Management class: Councillors					
2022					
	Basic salary	Other short-term employee benefits	Back Pay	Other benefits received	Total
Name					
GZ Malembe (Mayor - 10 November 2021)	470 179	156 726	24 411	40 500	691 816
LE Zondi (Deputy Mayor)	424 719	-	14 464	25 753	464 936
NP Dlamini (Speaker)	392 391	130 797	17 418	40 500	581 106
TC Ngubane (Exco Member) (Mayor 01/07/2021 - 09/11/2021)	403 488	134 496	16 314	40 500	594 798
RN Ngubane (Exco Member)	226 831	-	7 706	25 753	260 290
Ald R Maharaj (Exco Member)	267 766	89 255	11 611	40 500	409 132
MM Masondo - MPAC Chairperson	212 555	-	13 876	25 753	252 184
ZP Buthelezi (Resigned May)	134 027	-	4 021	20 072	158 120
MD Khanyile	73 852	24 617	2 954	14 747	116 170
MR Dlamini	242 719	80 906	12 334	40 500	376 459
MS Zondi	96 554	1 915	2 954	14 747	116 170
MS Yengwa (Deceased)	170 269	56 756	6 811	34 000	267 836
NJ Nzame	98 469	-	2 954	14 747	116 170
PS Hlophe	73 852	24 617	2 954	14 747	116 170
SS Xulu	73 852	24 617	2 954	14 747	116 170
S K Ndlovu	272 430	-	8 854	40 500	321 784
Z Zakwe	98 469	-	2 954	14 747	116 170
ZC Ngema	73 852	24 617	2 954	14 747	116 170
ZN Ndlovu	204 323	68 108	8 854	40 500	321 785
CN Mkhize	73 852	24 617	2 954	14 746	116 169
F Mayat	73 852	24 617	2 954	14 747	116 170
W Khoza	186 693	62 231	7 467	14 747	271 138
PMS Ngubane	204 323	68 108	8 854	40 500	321 785
BD Madonsela	94 776	31 592	3 791	14 747	144 556
PT Zuma	73 852	24 617	2 954	14 747	116 170
RS Maharaj	204 323	68 108	8 854	40 500	321 785
SE Lembethe	73 852	24 617	2 954	14 747	116 170
XF Ngubane	98 469	-	2 954	14 747	116 170
LT Gwala	97 643	41 984	3 906	14 747	148 843
NG Masikane	422 885	-	13 368	40 500	476 753
XP Dladla	173 961	-	5 900	25 753	205 614
ZP Dlomo	173 961	-	5 900	25 753	205 614
TA Edwards	173 961	-	5 900	25 753	205 614
VB Gwala	173 961	-	5 900	25 753	205 614
J Jacquire	173 961	-	5 900	25 753	205 614
T Lombo (Deceased 25/02/2022)	83 151	-	2 495	12 453	98 099
MA Makhaye	173 961	-	5 900	25 753	205 614
PS Myaka	173 961	-	5 900	25 753	205 961
MJ Ngcobo	173 961	-	5 900	25 753	205 614
Ald SV Zondi	228 114	76 038	9 805	40 500	354 457
ZW Zakwe	173 961	-	5 900	25 753	205 614
TS Zuma	173 961	-	5 900	25 753	205 614
MN Majozi (01/06/2022)	22 703	-	3 100	1 363	27 166
SS Ndlovu	22 703	-	1 362	3 100	27 165
	7 711 398	1 263 956	304 124	1 072 481	10 342 519

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48. Related parties (continued)

2021

Name	Basic salary	Other short-term employee benefits	Other benefits received	Total
TC Ngubane (Mayor)	645 644	215 215	44 400	905 259
NG Masikane (Deputy Mayor)	688 688	-	44 400	733 088
W Khoza (Speaker)	516 516	172 172	44 400	733 088
LT Gwala (Exco Member)	270 145	90 048	44 400	404 593
SV Zondi (Exco Member)	270 145	90 048	44 400	404 593
R Maharaj (Exco Member)	270 145	90 048	44 400	404 593
BD Madonsela - MPAC Chairperson	262 214	87 405	44 400	394 019
JM Mveli (Deceased 5/08/2020)	19 764	7 675	3 700	31 139
NP Dlamini	204 323	68 107	44 400	316 830
MD Khanyile	204 323	68 107	44 400	316 830
MR Dlamini	204 323	68 107	44 400	316 830
MS Zondi	272 430	-	44 400	316 830
NJ Nzame	227 017	45 414	44 400	316 831
PS Hlophe	204 323	68 107	44 400	316 830
MS Yengwa	204 323	68 107	44 400	316 830
SS Xulu	204 323	68 107	44 400	316 830
SL Ndlovu	158 918	-	25 900	184 818
Z Zakwe	272 430	-	44 400	316 830
ZN Ndlovu	272 430	-	44 400	316 830
GZ Malembe	204 323	68 107	44 400	316 830
SE Lembethe	204 323	68 107	44 400	316 830
CN Mkhize	204 323	68 107	44 400	316 830
F Mayat	204 323	68 107	44 400	316 830
PT Zuma	204 323	68 107	44 400	316 830
ZC Ngema	204 323	68 107	44 400	316 830
PMS Ngubane	204 323	68 107	44 400	316 830
RS Maharaj	204 323	68 107	44 400	316 830
XF Ngubane	204 323	-	33 300	237 623
	7 211 331	1 751 523	1 172 900	10 135 754

Management class: Executive management

*Refer to note 29 "Employee related costs"

49. Prior period errors

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

The municipality reassessed useful lives of certain items of property plant and equipment resulting in the net increase in accumulated surplus of R361 970.

The municipality also recognised deposits placed with Eskom that had been omitted in error in an increase in accumulated surplus of R1 069 830

Notes to the Annual Financial Statements

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49. Prior period errors (continued)**Statement of financial position****2021**

	Note	As previously reported	Correction of error	Restated
Accumulated surplus		(637 679 459)	(3 060 220)	(640 739 679)
Other receivables		2 038 539	1 069 830	3 108 369
Property, plant and equipment		458 631 661	(621 280)	458 010 381
Payables		60 907 848	1 941 542	62 849 310
Biological assets		96 917 369	4 553 132	101 470 501

50. Risk management**Maximum risk exposure**

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

Consumer receivables comprise a widespread customer base. Management evaluated credit risk relating to consumers on an ongoing basis. If consumers 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 financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the municipality.

These balances represent the maximum exposure to credit risk:

Cash and cash equivalents	44 118 201	55 206 771
Receivables from exchange transactions	22 582 797	27 086 021
	66 700 998	82 292 792

Liquidity risk

The municipality's risks 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.

The table below analyses the municipality's financial liabilities into amounts due within 12 months after year end:

Advances - Agency/Principal relationship transactions	2 978 679	3 859 963
Payables from exchange transactions	66 819 812	60 907 848
Unspent conditional grants	1 210 426	6 347 421
Finance Leases	147 210	184 668
	71 156 127	71 299 900

Interest rate risk

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

At 31 March 2022, financial instruments exposed to interest rate risk were call deposits and deposits.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates. With all other variables held constant, the municipality's surplus for the year is affected through the impact on variable rate investments as follows:

1% increase 2022

Cash and Cash equivalents	441 182	552 068
Receivables from exchange transactions	225 828	270 860
	667 010	822 928

Notes to the Annual Financial Statements

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51. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent liabilities and commitments will occur in the ordinary course of business. However, economic factors, electricity losses, high employee related costs and substantial increases in operational costs contributed to the diminished liquidity position. Accruals relating to items such as leave pay accrual have added to current liabilities which weighed down on the municipality's liquidity. The Eskom tariff setting structure which is not cost reflective also contributed to the liquidity problems. The floods experienced in some parts of Greytown further put a strain on the municipality's financial affairs including the ability to generate own revenue within the area of its jurisdiction.

Numerous initiatives seeking to improve the financial health of the municipality and cash coverage are being undertaken such as, revenue enhancement programme – debtors amnesty programme, application for funding at DBSA, conversion of meters to prepaid smart meters and engaging with KZN Provincial Treasury to fast-track the process to secure a suitable partner to take over the ownership and risks associated with the forestry. In addition, cost containment initiatives have been implemented there is a continuous review of policies as part of cost containment initiatives.

The ability of the municipality to continue as a going concern is dependent on the success of the abovementioned initiatives and that the accounting officer continues to procure funding for the ongoing operations of the municipality.

52. Events after the reporting date

No reportable events occurred after the reporting date.

53. Segment information**General information****Identification of segments**

The municipality reports to council on the basis of functions as defined in mSCOA regulations. The segments were organised around the type of service delivered and the target beneficiary.

Aggregated segments

The municipality operates throughout Umvoti area in fourteen wards. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Umvoti were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment

Community and public safety
Economic and environmental services
Trading Services
Other

Goods and/or services

Provides municipal services and protection services
Provides planning and environmental management services
Electricity and support services
Support to other segments and other adhoc services to the members of the public

Segment surplus or deficit, assets and liabilities

UMVOTI LOCAL MUNICIPALITY

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53. Segment information (continued)

2022

	Community and public safety	Economic and environmental services	Trading services	Other	Total
Revenue					
Revenue from non-exchange transactions	5 607 152	-	-	148 961 732	154 568 884
Revenue from exchange transactions	3 879 492	9 912 071	89 986 144	-	103 777 707
Total segment revenue	9 486 644	9 912 071	89 986 144	148 961 732	258 346 591
Municipal revenue					258 346 591
Expenditure					
Salaries and wages	93 156 505	-	4 802 708	11 281 399	109 240 612
Other expenses	51 364 622	4 152	86 197 774	32 579 064	170 145 612
Total segment expenditure	144 521 127	4 152	91 000 482	43 860 463	279 386 224
Total segmental shortfall					(21 039 633)
Assets					
Segment assets	291 676 720	150 090 876	90 750 516	20 087 855	552 605 967
Total assets					552 605 967
Liabilities					
Segment liabilities	127	-	17 237 000	-	17 237 127
Total liabilities					17 237 127

UMVOTI LOCAL MUNICIPALITY

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53. Segment information (continued)

2021

	Community and public safety	Economic and environmental services	Trading Services	Other	Total
Revenue					
Revenue from non-exchange transactions	5 531 567	-	-	170 857 961	176 389 528
Revenue from exchange transactions	3 267 570	9 111 597	82 856 520	-	95 235 687
Total segment revenue	8 799 137	9 111 597	82 856 520	170 857 961	271 625 215
Municipal revenue					271 625 215
Expenditure					
Salaries and wages	84 043 237	-	4 342 107	11 218 207	99 603 551
Other expenses	45 330 111	1 376 907	75 676 501	29 335 863	151 719 382
Total segment expenditure	129 373 348	1 376 907	80 018 608	40 554 070	251 322 933
Total segmental surplus					20 302 282
Assets					
Segment assets	269 799 165	99 375 589	83 030 324	21 012 801	473 217 879
Total assets					473 217 879
Liabilities					
Segment liabilities	-	-	-	3 065 379	3 065 379
Total liabilities					3 065 379

Notes to the Annual Financial Statements

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54. Budget differences

52.1 - Interest received - current - Variance of 100% on interest on current account balances and -20% on Interest on investments is because they were budgeted as one item (interest from investments) but reported separately in the financial statements.

52.2 - Agency fees - Variance of 100% on Agency fees and -51% on Licenses and permits is because the two were budgeted for together under licenses and permits and reported separately in the financial statements.

52.3 - Licenses and permits - Variance of -51% on Licences and permits and 100% on agency fees is because the two were budgeted for together under licenses and permits and reported separately in the financial statements.

52.4 - Fines and penalties - This was a budgeting issue where the item was budgeted for on anticipated collection and not accrual basis.

52.5 - Depreciation - a variance of -13% is a result of projects being completed at year end and also a delay in the procurement of items of property, plant and equipment.

52.6 - Finance cost - A huge variance was caused by interest on post employment benefits budgeted for under employee cost an error during budgeting which resulted in no allocation being made for impairment of non current assets.

52.7 - Debt impairment - the negative variance is attributable to the write off that was done in the latter part of the year.

52.8 - Contracted services - the underexpenditure is attributable to underspending on some items such as LED programs.

52.9 -General expenditure - The over expenditure resulted mainly from high electricity consumption, hire charges, telephone and protective clothing where the activity was higher than anticipated.

52.10 -Loss on disposal - This item was budgeted for under operating expenditure but is reported as a stand alone item.

52.11 - Inventories - the variance resulted from lower inventories at hand at year end as a result of higher consumption on items such as fuel and minisubs.

52.12 - Cash and cash equivalents - collections only picked towards the end of the year, thus suppressed collections during the year weighed down on anticipated cash balance at year end.

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55. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	1 305 433	1 363 005
Amount paid - current year	(1 305 433)	(1 363 005)
Balance outstanding	-	-
Audit fees		
Current year subscription / fee	2 246 716	2 439 130
Amount paid - current year	(2 246 716)	(2 439 130)
Balance unpaid-included in accounts	-	-
PAYE and UIF and SDL		
Current year subscription / fee	14 340 126	15 961 043
Amount paid - current year	(14 340 126)	(14 247 482)
Balance unpaid	-	1 713 561
Pension and Medical Aid Deductions		
Current year subscription / fee	16 434 432	13 016 865
Amount paid - current year	(16 434 432)	(13 016 865)
Balance outstanding	-	-

Notes to the Annual Financial Statements

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55. Additional disclosure in terms of Municipal Finance Management Act (continued)
Councillors and Staff arrear consumer accounts

The following staff and councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dlamini MR	-	207 241	207 241
Ngubane PMS	-	2 430	2 430
Zakwe ZW	-	1 255	1 255
Staff			
Baxter WF	-	2 302	2 302
Chamane VM	-	1 667	1 667
Gwala MB	-	2 135	2 135
Gwala MR	-	1 388	1 388
Makhathini SD	-	1 962	1 962
Malinga RS	-	964	964
Mchunu D	-	940	940
Mchunu NN	-	11 584	11 584
Mcunu N	-	1 139	1 139
Mtungwa FM	-	8 377	8 377
Ndawonde SV	-	10 102	10 102
Ndhlovu NC	-	14 820	14 820
Ngcobo VG	-	1 300	1 300
Ngubane CS	-	1 078	1 078
Ngubane PF	-	1 687	1 687
Ngubane TS	-	923	923
Mkhize JB	-	2 636	2 636
Spelman D	-	1 238	1 238
Ximba MLP	-	742	742
Ximba V	-	3 643	3 643
Zondi YE	-	796	796
	-	282 349	282 349

30 June 2021

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Staff			
Adams Armstrong McClary	483	843	1 326
Kwazokuhle Ziphonzone Mzila	-	1 321	1 321
Ngubane Sihle Cyril	5 977	843	6 820
Mzila Ziphonzone Dumisani	1 602	843	2 445
Msomi Adelaide	334	843	1 177
	8 396	4 693	13 089