



Emadlangeni Local Municipality
Annual Financial Statements
for the year ended 30 June 2023

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity

Local Municipality KZN 253 Governed by MFMA

Nature of business and principal activities

The main business of the municipality is to structure and manage the administration, budgeting and planning process to give priority to basic needs of the community and to promote the social and economic development of the community. The main type of services rendered by the municipality includes the provision of electricity and water, collection, purifying and disposal of waste water and the construction and maintenance of roads and provision of parks, sport and recreation facilities.

Councillors

Mayor

ML Buthelezi

Deputy Mayor

PF Chongo

Member

PX Qwabe (Speaker)

Councillors

NM Dekker (MPAC Chairperson)

MR Khumalo (Whip)

VC Ndlovu (EXCO Member)

SM Khoza

N Nkosi

NA Madida

PX Qwabe

SV Sibisi

Grading of local authority

Grade 1

Accounting Officer

G.N Mavundla

Chief Finance Officer (CFO)

PP. Sithole

Registered office

34 Voor Street

Utrecht

Kwa Zulu Natal

2980

Postal address

P.O. Box 11

Utrecht

Kwa Zulu Natal

2980

Bankers

Standard Bank

First National Bank

Auditors

Auditor General of South Africa

Attorneys

Mdledle Incorporated

Emadlangeni Local Municipality

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DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
VAT	Value Added Tax
EPWP	Expanded Public Works Programme
INEP	Integrated National Electrification Programme

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Accounting Officer's Responsibilities and Approval

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

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

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

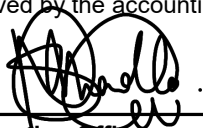
The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, she is supported by the municipality's external auditors.

The annual financial statements set out on page 6 to 71, which have been prepared on the going concern basis, were approved by the accounting officer 31 August 2023 and were signed on its behalf by:



Accounting Officer
G.N Mavundla

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2023.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 4 meetings were held.

Name of member	Number of meetings attended
Buhle Dlamini (Chairperson)	4
Adv Jabulani Mhlongo	4
Ms Thandeka Ndlovu	4
Mr Velaphi M Kubeka (joined during the 2023 year)	2

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management still require some attention/improvement to ensure that they are efficient, effective and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the accounting officer of the municipality during the year under review.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Chairperson of the Audit Committee

Date: _____

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2023.

1. Review of activities

Main business and operations

2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 88 893 983 and the municipality's total liabilities does not exceed its total assets.

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

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Standards Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
G. Mavundla	South African

The annual financial statements set out on page 6 to 66 which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:



Accounting Officer
G.N Mavundla

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Other financial assets	8	-	451 111
Receivables from exchange transactions	11&14	2 410 410	3 036 793
Receivables from non-exchange transactions	12&14	10 180 935	8 894 718
VAT receivable	13	1 825 920	5 476 471
Prepayments	10	148 654	406 866
Cash and cash equivalents	15	2 924 181	2 956 639
		17 490 100	21 222 598
Non-Current Assets			
Biological assets that form part of an agricultural activity	3	4 349 646	4 268 701
Investment property	4	34 581 830	34 832 328
Property, plant and equipment	5	102 190 757	109 349 756
Intangible assets	6	53 978	214 717
Heritage assets	7	1 190 581	1 190 581
		142 366 792	149 856 083
Total Assets		159 856 892	171 078 681
Liabilities			
Current Liabilities			
Other financial liabilities	17	-	116 567
Payables from exchange transactions	19	32 234 675	29 345 187
Payables from non-exchange transactions	20	2 346 953	1 641 939
Consumer deposits	21	175 492	172 927
Employee benefit obligation	9	1 386 495	1 089 685
Unspent conditional grants and receipts	16	5 916 910	1 278 425
		42 060 525	33 644 730
Non-Current Liabilities			
Other financial liabilities	17	-	199 535
Employee benefit obligation	9	2 982 000	2 718 000
Provisions	18	25 920 384	21 092 162
		28 902 384	24 009 697
Total Liabilities		70 962 909	57 654 427
Net Assets		88 893 983	113 424 254
Accumulated surplus		88 893 983	113 424 254

* See Note 49

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods	23	353 067	317 144
Service charges	24	16 055 778	17 575 999
Construction contracts	31	13 823 856	7 022 223
Operational revenue	25	5 637	71 881
Rental of facilities and equipment	27	1 406 984	1 099 119
Interest received - investment	26	556 512	576 249
Licences and permits	29	1 790 921	1 634 509
Gain on biological assets and agricultural produce	3	1 109 492	1 408 501
Actuarial gains	9	-	466 700
Total revenue from exchange transactions		35 102 247	30 172 325
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	32	25 471 125	22 635 428
Property rates - penalties imposed	32	1 787 545	4 009 338
Transfer revenue			
Government grants and subsidies	33	53 875 515	42 518 307
Public contributions and donations	34	-	4 792 742
Fines, Penalties and Forfeits	28	688 505	226 732
Total revenue from non-exchange transactions		81 822 690	74 182 547
Total revenue	22	116 924 937	104 354 872
Expenditure			
Employee related costs	35	(46 546 998)	(40 745 527)
Remuneration of councillors	36	(4 596 854)	(3 924 880)
Depreciation and amortisation	37	(18 332 638)	(9 566 621)
Finance costs	38	(1 978 717)	(1 768 860)
Lease rentals on operating lease	30	(151 856)	(84 703)
Debt Impairment	39	(12 425 064)	(11 785 864)
Bulk purchases	40	(15 896 269)	(16 733 578)
Contracted services	41	(12 912 187)	(13 396 093)
Construction expenses	43	(13 823 856)	(10 485 649)
Actuarial losses	9	(182 000)	-
General Expenses	42	(12 996 743)	(8 994 646)
Total expenditure		(139 843 182)	(117 486 421)
Deficit for the year from continuing operations		(22 918 245)	(13 131 549)
Loss on Disposals of assets	5	(1 612 027)	-
Deficit for the year		(24 530 272)	(13 131 549)

* See Note 49

Emadlangeni Local Municipality

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Restated Balance at 01 July 2021	126 555 803	126 555 803
Changes in net assets		
Restated Surplus for the year	(13 131 549)	(13 131 549)
Total changes	(13 131 549)	(13 131 549)
Restated* Balance at 01 July 2022	113 424 255	113 424 255
Changes in net assets		
Surplus for the year	(24 530 272)	(24 530 272)
Total changes	(24 530 272)	(24 530 272)
Balance at 30 June 2023	88 893 983	88 893 983
Note(s)		

* See Note 49

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		47 776 307	46 047 816
Grants		58 514 000	41 465 046
Interest income		556 512	576 249
Traffic fines		688 505	226 732
Other receipts		3 556 609	3 122 653
		<u>111 091 933</u>	<u>91 438 496</u>
Payments			
Employee costs		(49 818 865)	(44 507 438)
Suppliers		(52 316 685)	(41 007 270)
Finance costs		(337 747)	(531 721)
		<u>(102 473 297)</u>	<u>(86 046 429)</u>
Net cash flows from operating activities	45	<u>8 618 636</u>	<u>5 392 067</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	<u>(8 337 557)</u>	<u>(6 676 979)</u>
Cash flows from financing activities			
Proceeds from other financial liabilities		(316 102)	(104 978)
Consumer deposits		2 565	4 775
Net cash flows from financing activities		<u>(313 537)</u>	<u>(100 203)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(32 458)</u>	<u>(1 385 115)</u>
Cash and cash equivalents at the beginning of the year		2 956 639	4 341 754
Cash and cash equivalents at the end of the year	15	<u>2 924 181</u>	<u>2 956 639</u>

* See Note 49

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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	
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Other revenue	1 262 562	-	1 262 562	353 067	(909 495)	72%
Service charges	22 593 777	(4 960 636)	17 633 141	16 055 778	(1 577 363)	9%
Construction contracts	-	-	-	13 823 856	13 823 856	
Operational revenue	-	-	-	5 637	5 637	100%
Rental of facilities and equipment	1 028 969	-	1 028 969	1 406 984	378 015	37%
Interest received	470 977	-	470 977	556 512	85 535	18%
Licences and permits	1 616 855	-	1 616 855	1 790 921	174 066	11%
Total revenue from exchange transactions	26 973 140	(4 960 636)	22 012 504	33 992 755	11 980 251	

Revenue from non-exchange transactions

Taxation revenue

Property rates	36 874 281	(4 919 067)	31 955 214	25 471 125	(6 484 089)	20%
Property rates - penalties imposed	-	-	-	1 787 545	1 787 545	-100%

Transfer revenue

Government grants & subsidies	42 004 000	6 500 000	48 504 000	53 875 515	5 371 515	-45%
Fines, Penalties and Forfeits	6 380 164	-	6 380 164	688 505	(5 691 659)	89%
Total revenue from non-exchange transactions	85 258 445	1 580 933	86 839 378	81 822 690	(5 016 688)	

Total revenue

112 231 585	(3 379 703)	108 851 882	115 815 445	6 963 563	
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Expenditure

Employee Related Costs	(43 303 131)	(1 210 879)	(44 514 010)	(46 546 998)	(2 032 988)	4%
Remuneration of councillors	(4 699 682)	-	(4 699 682)	(4 596 854)	102 828	2%
Depreciation and amortisation	(9 421 518)	-	(9 421 518)	(18 332 638)	(8 911 120)	95%
Finance costs	(131 199)	(150 000)	(281 199)	(1 978 717)	(1 697 518)	604%
Lease rentals on operating lease	-	-	-	(151 856)	(151 856)	100%
Debt Impairment	(1 756 165)	-	(1 756 165)	(12 425 064)	(10 668 899)	608%
Inventory consumed	(4 147 289)	-	(4 147 289)	-	4 147 289	100%
Bulk purchases	(19 133 326)	2 000 000	(17 133 326)	(15 896 269)	1 237 057	8%
Contracted Services	(12 901 638)	(3 495 000)	(16 396 638)	(12 912 187)	3 484 451	21%
Construction Expenses	-	-	-	(13 823 856)	(13 823 856)	100%
General Expenses	(10 315 682)	643 805	(9 671 877)	(12 996 743)	(3 324 866)	36%
Total expenditure	(105 809 630)	(2 212 074)	(108 021 704)	(139 661 182)	(31 639 478)	
Operating deficit	6 421 955	(5 591 777)	830 178	(23 845 737)	(24 675 915)	
Gain on biological assets	-	-	-	1 109 492	1 109 492	100%
Actuarial gains/losses	-	-	-	(182 000)	(182 000)	100%
	-	-	-	927 492	927 492	
Deficit before taxation	6 421 955	(5 591 777)	830 178	(22 918 245)	(23 748 423)	

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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	
Figures in Rand						
Deficit for the year from continuing operations	6 421 955	(5 591 777)	830 178	(22 918 245)	(23 748 423)	
Discontinued operations	-	-	-	(1 612 027)	(1 612 027)	100%
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	6 421 955	(5 591 777)	830 178	(24 530 272)	(25 360 450)	

Reasons for all variances in excess of 10% is included within note 56.

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
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1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

1.5 Biological assets that form part of an agricultural activity

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

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

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

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

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

1.5 Biological assets that form part of an agricultural activity (continued)

An unconditional government grant related to biological assets that form part of an agricultural activity measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets that form part of an agricultural activity where fair value cannot be determined, to write down the cost, less residual value, by equal instalments over their useful lives as follows:

1.6 Investment property

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

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property.

1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10-30 Years
Plant and machinery	Straight-line	2-10 Years
Furniture and fixtures	Straight-line	2-7 Years
Motor vehicles	Straight-line	2-8 Years
Computer software	Straight-line	2-8 Years
Infrastructure	Straight-line	2-30 Years
Community	Straight-line	2-45 Years

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

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

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

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

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

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

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

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

Accounting Policies

1.8 Intangible assets (continued)

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3-6 Years

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

1.9 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

Accounting Policies

1.9 Heritage assets (continued)

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.

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

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

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

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

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

A financial asset is:

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

Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.

Accounting Policies

1.11 Statutory receivables (continued)

- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

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

1.12 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Accounting Policies

1.12 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

1.13 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work. The municipality is a participant in the Integrated National Electrification Programme (INEP). Funds are received from Eskom or the Department of Mineral resources and Energy (DMRE) to construct electrification infrastructure on behalf of Eskom in Eskom designated licensing areas.

The municipality is considered to be a contractor in terms of GRAP 11.

Funds are received in advance and recognised as a liability. Qualifying INEP expenditure is recognised as construction expenses when the expenditure is incurred. Construction revenue is recognised to the extent of the expenditure incurred which is reduced by the advance funds received.

Accounting Policies

1.13 Construction contracts and receivables (continued)

Construction revenue comprises: The initial amount agreed in the Contract, and any variations to the agreement

Construction revenue is recognised when it is probable that they will result in revenue and they are capable of being measured reliably

Construction costs comprise costs that relate directly to the specific contract and costs that are attributable to the contract activity.

Any unused funds advanced to the municipality remain as a Construction liability.

Presentation

Construction revenue: disclosed as construction revenue as a separate line on the face of the statement of financial performance under revenue from exchange transactions.

Contract Costs: disclosed as construction costs as a separate line on the face of the statement of the statement of financial performance.

Contract creditor: Disclosed as a payable under payables from exchange transactions in the statement of financial position.

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Accounting Policies

1.15 Employee benefits

Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Other post retirement obligations

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

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

Accounting Policies

1.16 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

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

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

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

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

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

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

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

Accounting Policies

1.17 Commitments (continued)

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

1.18 Revenue from exchange transactions

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

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

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

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

1.19 Revenue from non-exchange transactions

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

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

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

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

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

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

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

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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

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

Fines

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

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

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

Expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets.

Expenses are recognised when:

It is probable that the economic benefits or service potential associated with the transaction will flow out of the municipality, and

The amount of the expense can be measured reliably

Expenditure arising from Bulk purchases, contracted services and general expenses are measured at the cost of the outflow of resources from the municipality

1.20 Borrowing costs

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

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

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and

Accounting Policies

1.21 Unauthorised expenditure (continued)

- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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.

1.22 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.

1.23 Irregular expenditure

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

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

1.24 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.25 Budget information

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

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

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

Accounting Policies

1.25 Budget information (continued)

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

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

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

1.26 Related parties

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

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

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

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

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

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

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

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

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

1.27 Events after reporting date

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

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

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

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

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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Figures in Rand	2023	2022
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standard, which is approved but not yet effective.:

Standard/ Interpretation:

- GRAP 25 (as revised): Employee Benefits

Expected impact:

Unlikely there will be a material impact

Emadlangeni Local Municipality

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3. Biological assets that form part of an agricultural activity

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Game Park animals	4 349 646	-	4 349 646	4 268 701	-	4 268 701

Reconciliation of biological assets that form part of an agricultural activity - 2023

	Opening balance	Disposals	Gains or losses arising from changes in fair value	Total
Game Park animals	4 268 701	(1 028 547)	1 109 492	4 349 646

Reconciliation of biological assets that form part of an agricultural activity - 2022

	Opening balance	Gains or losses arising from changes in fair value	Total
Game Park animals	2 860 200	1 408 501	4 268 701

Methods and assumptions used in determining fair value

The animals in the game park are carried at fair values by comparing the available auction prices at year end.

Emadlangeni Local Municipality

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4. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	40 222 993	(5 641 163)	34 581 830	40 222 993	(5 390 665)	34 832 328

Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Investment property	34 832 328	(250 498)	34 581 830

Reconciliation of investment property - 2022

	Opening balance	Depreciation	Total
Investment property	35 085 335	(253 007)	34 832 328

Restrictions and Contractual obligations

No restrictions or contractual obligations exist.

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.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	1 083 383	1 089 344
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Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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5. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 796 477	-	2 796 477	2 796 477	-	2 796 477
Buildings	15 218 676	(10 215 006)	5 003 670	15 254 524	(9 752 836)	5 501 688
Plant and machinery	3 992 965	(1 837 229)	2 155 736	3 207 436	(2 038 774)	1 168 662
Furniture and fixtures	3 553 953	(2 172 813)	1 381 140	3 613 725	(2 372 778)	1 240 947
Motor vehicles	5 280 085	(3 716 722)	1 563 363	6 046 923	(4 046 838)	2 000 085
IT equipment	1 838 728	(1 038 699)	800 029	2 413 485	(1 188 355)	1 225 130
Infrastructure	156 443 694	(80 146 846)	76 296 848	147 489 369	(69 474 453)	78 014 916
Community	30 992 451	(18 798 957)	12 193 494	31 497 976	(14 096 125)	17 401 851
Total	220 117 029	(117 926 272)	102 190 757	212 319 915	(102 970 159)	109 349 756

Emadlangeni Local Municipality

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Additions through landfill site	Disposals	INEP transfer out of WIP	Depreciation	Impairment loss	Total
Land	2 796 477	-	-	-	-	-	-	2 796 477
Buildings	5 501 688	-	-	(15 277)	-	(429 952)	(52 789)	5 003 670
Plant and machinery	1 168 662	1 225 603	-	(67 350)	-	(171 179)	-	2 155 736
Furniture and fixtures	1 240 947	408 784	-	(45 618)	-	(222 973)	-	1 381 140
Motor vehicles	2 000 085	-	-	(49 719)	-	(387 003)	-	1 563 363
IT equipment	1 225 130	167 052	-	(305 425)	-	(286 728)	-	800 029
Infrastructure	78 014 916	19 612 698	3 187 251	(103 796)	(13 554 373)	(8 796 803)	(2 063 045)	76 296 848
Community	17 401 851	477 993	-	(174 821)	-	(857 844)	(4 653 685)	12 193 494
	109 349 756	21 892 130	3 187 251	(762 006)	(13 554 373)	(11 152 482)	(6 769 519)	102 190 757

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	INEP transfer out of WIP	Landfill site	Depreciation	Impairment loss	Total
Land	2 796 477	-	-	-	-	-	2 796 477
Buildings	5 942 614	-	-	-	(440 926)	-	5 501 688
Plant and machinery	1 332 379	33 538	-	-	(197 255)	-	1 168 662
Furniture and fixtures	1 055 490	378 724	-	-	(193 267)	-	1 240 947
Motor vehicles	1 546 739	722 594	-	-	(269 248)	-	2 000 085
Computer Equipment	877 985	569 233	-	-	(222 088)	-	1 225 130
Infrastructure	79 746 177	17 161 850	(10 484 871)	(1 372 611)	-	(7 035 629)	78 014 916
Community	13 788 959	4 407 354	-	-	(794 462)	-	17 401 851
	107 086 820	23 273 293	(10 484 871)	(1 372 611)	(2 117 246)	(7 035 629)	109 349 756

Restrictions and contractual obligations

No restrictions or contractual obligations exist.

There are no amounts of compensation from or to third parties for items of property, plant and equipment that were impaired, lost or given up that is included in surplus or deficit

Emadlangeni Local Municipality

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5. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Infrastructure (Electrical)	Total
Opening balance	10 980 771	-	10 980 771
Additions/capital expenditure	6 013 125	13 554 372	19 567 497
WIP Expensed- INEP	-	(13 554 372)	(13 554 372)
Transferred to completed items	(8 123 439)	-	(8 123 439)
	8 870 457	-	8 870 457

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Infrastructure (Electrical)	Total
Opening balance	3 222 780	-	3 222 780
Additions/capital expenditure	5 855 032	9 825 409	15 680 441
Prior period mis-classification	1 902 959	660 240	2 563 199
Prior Period Error - INEP Correction	-	(10 485 649)	(10 485 649)
	10 980 771	-	10 980 771

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

Buildings	655 641	176 925
Motor Vehicles	735 129	556 605
Machinery	36 805	71 052
	1 427 575	804 582

Emadlangeni Local Municipality

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5. Property, plant and equipment (continued)

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.

Emadlangeni Local Municipality

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6. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 560 201	(1 506 223)	53 978	1 560 201	(1 345 484)	214 717

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	214 717	(160 739)	53 978

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	375 457	(160 740)	214 717

Restrictions and Contractual obligations

No restrictions or contractual obligations exist.

Emadlangeni Local Municipality

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7. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets which fair values cannot be reliably measured: (Para .94)	1 490 000	(299 419)	1 190 581	1 490 000	(299 419)	1 190 581

Reconciliation of heritage assets 2023

	Opening balance	Total
Heritage assets which fair values cannot be reliably measured: (Para .94)		
Art Collections, antiquities and exhibits	1 190 581	1 190 581

Reconciliation of heritage assets 2022

	Opening balance	Additions through transfer of functions / mergers	Total
Heritage assets which fair values cannot be reliably measured: (Para .94)			
Art Collections, antiquities and exhibits	1 190 580	1	1 190 581

Restrictions and contractual obligations

No restrictions or contractual obligations exist.

Emadlangeni Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
8. Other financial assets		
Designated at fair value		
DBSA investments	-	451 111
Surety for the DBSA loan in accordance with the terms of the loan agreement.		
Current assets		
Designated at fair value	-	451 111
9. Employee benefit obligations		
Defined benefit plan		
The employee benefit obligation includes the plan for the post employment medical benefit plan and Long service award and the provision for the 13th cheque.		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Opening balance	(2 825 000)	(3 217 000)
Current Service cost	(153 000)	(152 000)
Interest Cost	(299 000)	(273 000)
Benefits paid	321 000	338 000
Actuarial gain/ (loss)	(182 000)	479 000
Provision for 13th cheque	(1 230 495)	(982 685)
	(4 368 495)	(3 807 685)
Non-current liabilities	(2 982 000)	(2 718 000)
Current liabilities	(1 386 495)	(1 089 685)
	(4 368 495)	(3 807 685)

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
9. Employee benefit obligations (continued)		
Key assumptions used		
Assumptions used at the reporting date: 30 June 2023 & 2022 respectively		
Actual return on plan assets	1,00 %	1,00 %
Discount rates used	11,03 %	11,07 %
Expected rate of return on assets	6,04 %	7,26 %
Expected rate of return on reimbursement rights	7,54 %	8,76 %
Actual return on reimbursement rights	3,25 %	2,12 %
Expected increase in salaries	1,00 %	1,00 %
Expected pension increases	11,47 %	11,35 %
Proportion of employees opting for early retirement	6,33 %	7,32 %
Expected increase in healthcare costs	7,33 %	8,32 %
Future changes in maximum state healthcare benefits	3,86 %	2,80 %

1.POST EMPLOYMENT MEDICAL SUBSIDY

The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member

Emadlangeni Municipality does not have a formal medical subsidy policy for retired employees.

Emadlangeni Municipality is aware of five (5) continuation pensioners that are currently subsidised for medical contributions with the following subsidy requirements:

- subsidy percentages of 60% to current pensioners and their dependents; and
- subsidy percentages of 60% to deceased pensioners' spouses and their dependents.

ELIGIBLE EMPLOYEES

We summarise the participants eligible for post employment medical aid subsidy as at the current valuation date, 30 June 2023, as provided by Emadlangeni.

The employees' contributions are those payable to the employees and their spouses in retirement, at the current rates. The contributions include risk and the medical savings account..

Emadlangeni Local Municipality

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9. Employee benefit obligations (continued)

VALUATION METHOD

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's post-employment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference to Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

VALUATION ASSUMPTIONS

NET DISCOUNT RATE

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised above:

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2022 the duration of liabilities was 11.07% per annum. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 11.03% per annum.

A healthcare cost inflation rate of 7.54% (2022:8.76%) was assumed. This is a decrease of 1.22% of the expected inflation over the expected term of the liability, consistent with the previous valuation assumption..

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.25% (2022:2.12%) per annum. This year's valuation basis is consistent with the previous year's basis from a discount rate perspective. basis used to determine the overall expected rate of return on assets is as follow:

DEMOGRAPHIC AND DECREMENT ASSUMPTIONS

The demographic and decrement assumptions were consistent in the previous and current valuation period.

CONTINUATION PERCENTAGES

We have assumed continuation of the post-employment health care subsidy would be at 100% of active employees, or their surviving dependants.

2.LONG SERVICE AWARDS

Emadlangeni offers bonuses for every 5 years of completed service from 10 years to 45 years. Below we outline the benefits awarded to qualifying employees. Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed.

VALUATION METHOD

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date. In determining these liabilities, due allowance has been made for future award increases.

The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

VALUATION ASSUMPTIONS

NET DISCOUNT RATE

The key assumptions used in the valuation are consistent with the prior years' assumptions shown for comparison, are summarised above:

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

At this duration the discount rate determined by as at 30 June 2023 was 11.47% (2022:11.35%) per annum.

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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9. Employee benefit obligations (continued)

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, 7.33% (2022:8.32%) per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.86% (2022: 2.80%) per annum.

DEMOGRAPHIC AND DECREMENT ASSUMPTION

The demographic and decrement assumptions were consistent in the previous and current valuation period.

The following sensitivity analysis is relevant: Long Service

Assumption	Variation	Change in accrued liability	Change in annual expense
Salary inflation	+1%	+7.3%	+8.8%
Salary Inflation	-1%	-6.6%	-7.8%
Withdrawal rates	-20%	+6.8%	+9.1%
Withdrawal rates	+20%	-6%	-7.9%
Discount rate	+1%	-6.2%	-3.2%
Discount rate	-1%	+7%	+3.6%

The following sensitivity analysis is relevant: Post Employee Benefit

Assumption	Variation	Change in accrued liability	Change in annual expense
Mortality	PA(90) -1	+4.7%	+5.1%
Mortality	PA(90) -2	+9.5%	+10.2%
Healthcare cost inflation	+1%	+6.0%	+6.5%
Healthcare cost inflation	-1%	-5.5%	-5.9%
Discount	+1%	-5.2%	+2.9%
Discount	-1%	+5.9%	-3.3%

10. Prepayments

Eskom	148 654	147 626
Licenses	-	259 240
	148 654	406 866

11. Receivables from exchange transactions

Consumer debtors - Electricity	1 468 127	2 304 049
Consumer debtors - Refuse	803 887	709 914
Consumer debtors - Other	138 396	22 830
	2 410 410	3 036 793

12. Receivables from non-exchange transactions

Fines	714 976	112 202
Consumer debtors - Rates	9 465 959	8 782 516
	10 180 935	8 894 718

The provision for impairment for traffic fines is R1,533,427 (R1,490,677: 2022). Refer to provision for impairment reconciliation below.

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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12. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Traffic fines-section 56 and 139 of the traffic management act determines the type of fines that maybe levied by the municipality to motorists that contraves these acts.

Property rates-property rates are levied in accordance with the MPRA that requires different percentage to be levied on different properties depending on the use and the extent of those properties.

Determination of transaction amount

Traffic fines: The transaction amount is determined by reference to the traffic fines issues per the traffic fine books used by the traffic fines department which is in accordance with section 56 and 139 in relation to traffic fines.

Property rates: The transaction amount is levied in accordance with the MPRA that requires different percentage to be levied on different properties depending on the use and the extent of those properties.

Interest or other charges levied/charged

The municipality does not levy interest on late payments on traffic fines. Interest on late payments of property rates is levied at 1.5%

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

Traffic fines: The municipality is using the collection rate of prior year as a basis to performed the assessment.

Property rates: All Statutory receivables have been tested for impairment based on whether the customer account has amounts outstanding over 31 days. In this instance the total balance outstanding are impaired based on the Council approved policies."

Due to COVID-19 pandemic the collection rates has decreased significantly which has resulted in an increase in impairment losses for the year. The collection rate for the year including the number of debtor's days was utilised in impairing all debtors with an ageing over 31 days outstanding.

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

Opening balance	1 490 677	1 395 628
Provision for impairment	42 750	55 099
Amounts written off as uncollectible	-	39 950
	1 533 427	1 490 677

13. VAT receivable

VAT	1 825 920	5 476 471
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The amounts accounts for VAT due or receivable from SARS using the accrual basis of accounting however the cash basis is applied while submitting the VAT 201.

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
14. Consumer debtors disclosure		
Gross balances		
Consumer debtors - Rates	56 907 122	47 378 564
Consumer debtors - Electricity	9 916 769	9 058 255
Consumer debtors - Refuse	4 730 764	4 639 398
Consumer debtors - Other	1 447 353	1 497 886
	73 002 008	62 574 103
Less: Allowance for impairment		
Consumer debtors - Rates	(47 531 605)	(38 596 048)
Consumer debtors - Electricity	(9 467 682)	(6 754 206)
Consumer debtors - Refuse	(3 641 168)	(3 929 484)
Consumer debtors - Other	(485 184)	(1 475 056)
	(61 125 639)	(50 754 794)
Net balance		
Consumer debtors - Rates	9 465 959	8 782 516
Consumer debtors - Electricity	1 468 127	2 304 049
Consumer debtors - Refuse	803 887	709 914
Consumer debtors - Other	138 369	22 830
	11 876 342	11 819 309
Rates		
Current (0 -30 days)	3 497 335	3 961 605
31 - 60 days	12 037	(6 926)
61 - 90 days	1 991 992	1 630 286
91 - 120 days	1 679 620	1 466 769
> 365 days	49 726 138	40 528 221
	56 907 122	47 579 955
Electricity		
Current (0 -30 days)	1 543 799	978 186
31 - 60 days	1 010	(342 924)
61 - 90 days	390 222	842 768
91 - 120 days	368 747	395 545
> 365 days	6 940 067	6 452 790
	9 243 845	8 326 365
Refuse		
Current (0 -30 days)	270 801	303 841
31 - 60 days	4 055	(3 858)
61 - 90 days	108 739	126 302
91 - 120 days	138 035	118 212
> 365 days	4 209 134	4 299 644
	4 730 764	4 844 141

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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14. Consumer debtors disclosure (continued)

Other

Current (0 -30 days)	130 773	109 443
31 - 60 days	648	(130)
61 - 90 days	45 770	29 269
91 - 120 days	41 875	21 453
> 365 days	1 228 287	1 658 366
	1 447 353	1 818 401

Other debtors relates to rental of houses and municipal sites.

Reconciliation of allowance for impairment

Balance at beginning of the year	50 754 794	39 360 700
Contributions to allowance	12 382 314	11 690 816
Debt impairment written off against allowance	(2 011 469)	(296 722)
	61 125 639	50 754 794

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 083	1 083
Bank balances	603 031	742 827
Short-term deposits	2 320 067	2 212 729
	2 924 181	2 956 639

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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15. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Standard Primary Bank Account - 06 010 0001	-	-	(948)	-	-	(948)
First Primary National Bank Account 62864159366	603 038	742 827	2 175 114	603 038	742 827	2 175 114
INEP 06 850 0947 - 102	824	824	-	824	824	-
Nguni Cattle - 42 850 052 1 - 003	6 085	6 085	6 085	6 085	6 085	6 085
KZN Wildlife - 06 850 094 7 - 070	10 313	10 313	10 313	10 313	10 313	10 313
VAT refund account - 42 880 052 1 - 002	27 890	125 088	5 001	27 890	125 088	5 001
Repairs 376 houses - 06 850 418 7 - 001	2 159 027	2 034 695	2 093 043	2 159 027	2 034 695	2 093 043
General investments - 06 850 094 7 - 030	67 095	2 977	17 965	67 095	2 977	17 965
Proceeds from auction - 06 850 094 7 - 050	4 820	4 662	4 621	4 820	4 662	4 621
MIG 20192020 06 850 0947 - 096	9 881	3 696	1 492	9 881	3 696	1 492
Consumer deposits - 06 850 094 7 - 084	9 563	9 248	9 168	9 563	9 248	9 168
Housing rentals - 06 850 094 7 - 094	5 830	5 830	5 830	5 830	5 830	5 830
INEP Retention - 06 850 094 7 - 087	1 411	1 365	1 353	1 411	1 365	1 353
Spatial planning - 06 850 094 7 - 090	1 283	1 283	1 283	1 283	1 283	1 283
EPWP 06 850 0947 - 097	4 015	4 015	4 015	4 015	4 015	4 015
FMG 06 850 0947 - 099	2 648	2 646	6 333	2 648	2 648	6 333
Balele 06 850 0947 - 105	9 375	-	-	9 375	-	-
Total	2 923 098	2 955 554	4 340 668	2 923 098	2 955 556	4 340 668

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Repair of 376 Houses	813 725	813 725
Library Grant	-	464 700
Balele Grant	5 103 185	-
	5 916 910	1 278 425

Movement during the year

Balance at the beginning of the year	1 278 425	814 216
Additions during the year	22 438 000	9 516 000
Income recognition during the year	(17 799 515)	(9 051 791)
	5 916 910	1 278 425

See note 33 for reconciliation of grants from National/Provincial Government.

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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17. Other financial liabilities

At amortised cost

Bank loan	-	316 102
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The municipality acquired a loan from the Development Bank of Southern Africa (DBSA) to fund the construction of municipal main offices. The term of the loan was 20 years. Interest charged is 10.81% per annum payable every half yearly.

Non-current liabilities

At amortised cost	-	199 535
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Current liabilities

At amortised cost	-	116 567
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18. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Addition due to re-measurement	Total
Environmental rehabilitation	21 092 162	4 828 222	25 920 384

Reconciliation of provisions - 2022

	Opening Balance	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	21 267 806	(175 644)	21 092 162

Environmental rehabilitation provision

The provision is raised for the rehabilitation of waste disposal site (Emadlangeni Landfill site) to its original state once the site has reached the end of the useful life.

19. Payables from exchange transactions

Trade payables	12 438 188	11 712 989
Retention Liability	8 399 158	7 795 068
Leave Pay Accrued	3 663 739	3 533 463
Direct deposits, third parties and other	6 622 310	5 918 937
Deposits received	45 108	36 536
Credit balances receivables from exchange transactions	374 375	348 194
Other Payable: INEP	691 797	-
	32 234 675	29 345 187

The debtors with credit balances amounting to R2 721 328 is split between R374 375 relating to receivables from exchange transactions and R 2 346 953 which relates to receivables from non exchange transactions.

The other payables: INEP relates to the construction contracts between the Municipality and Eskom with respect to the construction of electrical infrastructure in Eskom licenced areas.

The construction contract expenses consist mainly of contracted services wherein the Municipality procures the services of contractors for the construction related expenditure. Revenue is recognised when the expenditure is incurred.

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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20. Payable from non-exchange transactions

Credit non exchange debtors	2 346 953	1 641 939
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The debtors with credit balances amounting to R2 721 328 is split between R374 375 relating to receivables from exchange transactions and R 2 346 953 which relates to receivables from non exchange transactions.

21. Consumer deposits

Electricity	175 492	172 927
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The consumer deposits represents the amounts paid by consumers in obtaining the connections for services these amounts are refundable (payable) to consumers when the consumer accounts are transferred or closed.

22. Revenue

Sale of goods	353 067	317 144
Service charges	16 055 778	17 575 999
Construction contracts	13 823 856	7 022 223
Operational Revenue	5 637	71 881
Rental of facilities and equipment	1 406 984	1 099 119
Interest received -investment	556 512	576 249
Licences and permits	1 790 921	1 634 509
Property rates	25 471 125	22 635 428
Property rates - penalties imposed	1 787 545	4 009 338
Government grants and subsidies	53 875 515	42 518 307
Public contributions and donations	-	4 792 742
Fines, Penalties and Forfeits	688 505	226 732
	115 815 445	102 479 671

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	353 067	317 144
Service charges	16 055 778	17 575 999
Construction contracts	13 823 856	7 022 223
Operational revenue	5 637	71 881
Rental of facilities and equipment	1 406 984	1 099 119
Interest received -investment	556 512	576 249
Licences and permits	1 790 921	1 634 509
	33 992 755	28 297 124

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	25 471 125	22 635 428
Property rates - penalties imposed	1 787 545	4 009 338

Transfer revenue

Government grants & subsidies	53 875 515	42 518 307
Public contributions and donations	-	4 792 742
Fines, Penalties and Forfeits	688 505	226 732

81 822 690 74 182 547

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
23. Sale of goods and rendering of services		
Consumables	72 956	89 372
Sub-division and consolidation fees	3 191	13 226
Other documents	-	81 261
Tender documents	106 762	9 135
Building plans	31 288	23 939
Camping fees	55 369	55 269
Cemetery and burial	37 590	33 654
Clearance certificates	17 973	8 491
Entrance fees	21 686	1 131
Photocopies and faxes	6 252	1 666
	353 067	317 144
24. Service charges		
Sale of electricity	14 138 909	15 744 933
Refuse removal	1 916 869	1 831 066
	16 055 778	17 575 999
The service charges represents revenues earned by the municipality in the current financial year from the provisions of electricity and refuse removal.		
25. Operational revenue.		
Administrative and handling fees	11 110	1 134
Breakages and losses recovered	1 342	1 412
Agency fees	(6 815)	69 335
	5 637	71 881
26. Interest on investment		
Short term deposits	556 512	576 249
27. Rental of facilities and equipment		
Premises		
Rental of Investment properties	1 083 383	1 089 344
Ad hoc rentals	323 601	9 775
	1 406 984	1 099 119
28. Fines, Penalties and Forfeits		
Fines, Penalties and Forfeits	688 505	226 732
29. Licences and permits (exchange)		
Game	173 009	33 700
Trading	14 294	6 009
Drivers licence certificate	927 296	905 494
Leaner licence application	322 113	270 348
Motor vehicle licence	216 136	299 375
Operators and public drivers permit	138 073	119 583
	1 790 921	1 634 509

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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30. Lease rentals on operating lease

Lease rentals on operating lease

Leased Machinery	151 856	84 703
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Operating leases represents the amounts paid to service providers in leasing out the photocopying machines that are used the municipal buildings.

31. Construction revenue

INEP Construction revenue	13 823 856	7 022 223
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The construction revenue relates to the construction contracts between the Municipality and Eskom with respect to the construction of electrical infrastructure in Eskom licenced areas.

The construction contract expenses consist mainly of contracted services wherein the Municipality procures the services of contractors for the construction related expenditure. Revenue is recognised when the expenditure is incurred.

The amount payable for work still to be done is recognised as a liability and disclosed under payables.

32. Property rates

Property rates	25 471 125	22 635 428
	25 471 125	22 635 428
Property rates - Penalty on late payments	1 787 545	4 009 338
	27 258 670	26 644 766

Valuations

Residential	365 490 000	365 613 000
Commercial	74 450 000	74 450 000
State	433 936 000	327 288 000
Municipal	72 265 000	72 265 000
Small holdings and farms	2 865 677 000	2 865 677 000
Land reform property	-	23 914 000
Other (PBO, Public worship, Vacant etc)	38 481 000	119 408 000
	3 850 299 000	3 848 615 000

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
33. Government grants and subsidies		
Operating grants		
Equitable share	36 076 000	33 467 000
Finance Management Grant (FMG)	3 000 000	2 850 007
Expanded Public Works Programme	978 000	-
New Establishment/ Library	2 414 700	1 394 300
Balele Tourism grant	1 396 815	-
	43 865 515	37 711 307
Capital grants		
Municipal Infrastructure Grant (MIG)	10 010 000	4 807 000
	53 875 515	42 518 307
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Repair of 376 Houses		
Balance unspent at beginning of year	813 725	813 725
Conditions still to be met - remain liabilities (see note 16).		
Finance Management Grant		
Current-year receipts	3 000 000	2 850 000
Conditions met - transferred to revenue	(3 000 000)	(2 850 000)
	-	-
Expanded Public Works Programme		
Current-year receipts	978 000	-
Conditions met - transferred to revenue	(978 000)	-
	-	-
Municipal Infrastructure Grant (MIG)		
Current-year receipts	10 010 000	4 807 000
Conditions met - transferred to revenue	(10 010 000)	(4 807 000)
	-	-
Library Grant		
Balance unspent at beginning of year	464 700	-
Current-year receipts	1 950 000	1 859 000
Conditions met - transferred to revenue	(2 414 700)	(1 394 300)
	-	464 700
Conditions still to be met - remain liabilities (see note 16).		
Balele Grant		

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
33. Government grants and subsidies (continued)		
Current-year receipts	6 500 000	-
Conditions met - transferred to revenue	(1 396 815)	-
	5 103 185	-
Conditions still to be met - remain liabilities (see note 16).		
34. Public contributions and donations		
Department of Arts and Culture Library Donation	-	4 792 742

Emadlangeni Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
35. Employee related costs		
Basic	34 001 777	29 077 086
Bonus	2 177 161	2 094 455
Medical aid - company contributions	864 787	680 836
UIF	252 998	217 299
Bargaining Council	16 784	14 040
Leave pay provision charge	1 011 987	1 202 682
Group Life Assurance	-	795
Travel, motor car, accommodation, subsistence and other allowances	657 800	509 821
Overtime payments	586 462	651 417
13th Cheques	247 810	982 685
Acting allowances	77 631	107 195
Housing benefits and allowances	220 563	212 636
Pension contributions	4 198 511	3 096 027
Stand By	1 933 727	1 625 553
Current interest costs	299 000	273 000
	46 546 998	40 745 527

Remuneration of Municipal Manager Mr LCT Nkosi

Annual Remuneration	-	950 553
Annual remuneration	-	85 020
	-	1 035 573

Mr Nkosi was suspended on 12 September 2019. His contract ended in May 2022. His final salary was paid in May 2022.

Remuneration of the Municipal Manager Mrs GN Mavundla

Annual Remuneration	1 000 150	481 402
Cellphone Allowance	-	4 500
Backpay	3 723	-
	1 003 873	485 902

Mrs Mavundla acted in the position of municipal manager from January to 31 September 2022. She was there-after appointed on 01 October 2022.

Remuneration of Acting Municipal Manager Mr SS De Klerk

Annual Remuneration	-	540 207
Cellphone allowance	-	10 500
	-	550 707

Mr De Clerk acted in the position of municipal manager from July 2021 to January 2022.

Remuneration of Chief Finance Officer Ms SC Mhlophe

Annual Remuneration	194 361	777 445
Cellphone Allowance	2 400	-
Annual remuneration	-	37 618
Contributions to UIF, Medical and Pension Funds	-	15 900
	196 761	830 963

Miss Mhlophe was suspended in the 2022 financial year.

Remuneration of Acting Chief Financial Officer WS Mpanza

Emadlangeni Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
35. Employee related costs (continued)		
Annual Remuneration	681 295	246 319
Cellphone Allowance	8 000	3 900
Leave payout	73 592	-
	762 887	250 219

Mr WS Mpanza began acting as CFO from March 2022 to April 2023.

Remuneration of Acting Chief Financial Officer: PP Sithole

Annual Remuneration	137 882	-
Cellphone Allowance	1 600	-
	139 482	-

Remuneration of Director Infrastructure, Planning and Development Mr N Kheswa

Annual Remuneration	476 472	815 063
Cellphone Allowance	5 600	9 600
Backpay	18 339	-
Leave payout	157 121	-
	657 532	824 663

Mr Kheswa's contract ended on 31 January 2023.

Remuneration of Acting Director Infrastructure, Planning and Development Mr TI Mashiyane

Annual Remuneration	-	407 532
Cellphone Allowance	-	9 000
Leave Pay	-	38 887
	-	455 419

Mr Mashiyane acted in the position of Director Infrastructure, Planning and Development from 18 November 2019 to 31 December 2021.

Remuneration of Acting Infrastructure Director - PPS Zamisa

Annual Remuneration	681 295	203 766
Cellphone Allowance	8 000	2 400
Backpay	70 801	26 187
	760 096	232 353

Mr Zamisa acted from April 2022 to April 2023.

Remuneration of Infrastructure Director - SM Nkwanyana

Annual Remuneration	137 882	-
Cellphone Allowance	1 600	-
	139 482	-

Remuneration Director Corporate Services - ZJ Mkhize

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
35. Employee related costs (continued)		
Annual Remuneration	-	583 084
Car Allowance	-	13 500
Performance Bonuses	-	37 618
	-	634 202

Mr Mkhize was terminated in March 2022

Remuneration Director Corporate Services - Mrs Zungu

Annual Remuneration	-	523 308
Acting Allowance	-	21 393
	-	544 701

Mrs Zungu is a Manager in the Disaster Management unit and she then acted in the position of Director Corporate Services from April to June 2022.

Director Corporate Services - GNZ Maphisa

Annual Remuneration	785 987	-
Cellphone Allowance	9 600	-
Backpay	5 585	-
	801 172	-

36. Remuneration of councillors

Mayor	861 375	607 295
Deputy Mayor	447 818	377 198
Executive committee	374 060	333 171
Speaker	556 389	428 134
Councillors	2 357 212	2 179 082
	4 596 854	3 924 880

In-kind benefits

The Mayor and Speaker are employed full-time and are provided with an office and secretarial support at the cost of the Council and own vehicle for official duties and two bodyguards.

The allowances and benefits of councillors of Emadlangeni Local Municipality for the year under review were paid in terms of Government Gazette 46470 upper limits of remuneration of public office bearers).

37. Depreciation and amortisation

Property, plant and equipment	11 151 881	9 566 621
Property, plant and equipment- Impairment	6 769 519	-
Investment Property	250 499	-
Intangible assets	160 739	-
	18 332 638	9 566 621

38. Finance costs

Trade and other payables	326 232	529 105
Loans	11 515	42 788
Landfill sites	1 640 970	1 196 976
	1 978 717	1 768 869

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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39. Debt impairment

Debt impairment	12 425 064	11 785 864
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The debt impairment represents the movements in the provisions for doubtful debts that were assessed as irrecoverable from the municipal consumer debtors as per the municipalities policy.

40. Bulk purchases

Electricity - Eskom	15 896 269	16 733 578
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Bulk purchases represents the total costs of electricity purchased from Eskom

Electricity losses

Electricity units (kWh) purchased	10 043 675	11 801 017
Electricity units (kWh) sold	(6 174 931)	(7 469 727)
Total loss	3 868 744	4 331 290

Comprising of:

Technical losses	3 566 036	3 980 815
Non-technical losses	302 708	350 475
Total	3 868 744	4 331 290

Percentage Loss:

Technical losses	92 %	92 %
Non-technical losses	8 %	8 %
Total	100 %	100 %

Total Electricity losses as a percentage of Purchases

2023	2022
39%	37%

Electricity losses are attributable to electricity within the aging electricity network infrastructure and illegal connections.

41. Contracted services

Outsourced Services

Burial Services	4 117	7 500
Professional Staff	102 310	384 451
Valuer and Assessor	768 413	77 368
Traffic Street Light	-	135 528

Consultants and Professional Services

Accounting And Auditing	364 456	1 548 162
Audit Committee	164 773	79 726
Legal advise and Litigations	1 515 163	2 971 252

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
41. Contracted services (continued)		
Contractors		
Catering Services	124 080	22 250
Distribution of Electricity by Others	11 958	-
Electrical	224 688	653 013
Internet charge	72 620	166 706
Maintenance of Buildings and Facilities	714 141	176 925
Maintenance of Equipment	24 846	4 577
Maintenance of other Assets	3 050 528	2 597 365
Transportation	138 011	96 800
Safeguard and Security	5 632 083	4 474 470
	12 912 187	13 396 093
42. General expenses		
Accommodation	386 178	77 025
Auditors remuneration	3 264 364	1 035 427
Bank charges	242 918	320 650
Consumables	2 487 977	2 008 858
Daily allowance	225 916	28 450
Food and beverage	44 893	7 016
Electricity	84 987	32 457
Entertainment	6 087	22 861
Insurance	1 244 145	1 065 615
Levies	-	60 407
Motor vehicle licence and registrations	58 410	77 965
Fuel and oil	1 704 339	886 290
Placement fees	210 912	8 523
Postage and courier	-	2 745
Printing and stationery	78 654	47 306
Gifts and promotional items	14 654	108 842
Research and development costs	-	25 670
Subscriptions and membership fees	508 976	508 000
Telephone and fax	345 899	445 778
Own transport	348 886	87 343
Training	173 826	455 000
Travel - local	47 302	241 053
Telephone installation	1 383	-
Uniforms	278 674	414 935
Seating Allowance for Traditional Leaders	51 000	66 000
Skills Development Levy	409 531	357 186
Remuneration to ward committees	772 800	505 973
Bursaries-Community	-	90 352
Licences	-	265
Toll gate	4 032	6 654
	12 996 743	8 994 646

Emadlangeni Local Municipality

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Figures in Rand	2023	2022
43. Construction Expenses		
Sale of goods		
Construction Expenses: INEP	13 823 856	10 485 649
<p>The distribution of electricity by others relates to the construction contracts between the Municipality and Eskom with respect to the construction of electrical infrastructure in Eskom licenced areas. In the 2022 year, additions funded through INEP amounted to R7 022 223 and additions funded through internal funds amounted to R3 463 426 resulting in the total of R10 485 649</p> <p>The construction contract expenses consist mainly of contracted services wherein the Municipality procures the services of contractors for the construction related expenditure. Revenue is recognised when the expenditure is incurred.</p> <p>The amount payable for work still to be done is recognised as a liability and disclosed under payables.</p>		
44. Auditors' remuneration		
Fees	3 264 364	1 035 427
45. Cash generated from operations		
Deficit	(24 530 272)	(13 131 549)
Adjustments for:		
Depreciation and amortisation	18 332 638	9 566 621
Actuarial gain/ loss	182 000	(466 700)
Penalties imposed	(1 787 545)	-
Fair value adjustments	(1 109 492)	(1 408 501)
Debt impairment	12 425 064	11 785 864
Leave pay provision	1 011 987	857 382
13th Cheque	247 810	982 685
Movements in retirement benefit assets and liabilities	313 000	(392 000)
Loss on disposal of assets	1 612 027	-
Other non-cash items: INEP	-	(1 053 261)
Finance costs non-cash	1 640 970	1 196 967
Changes in working capital:		
Receivables from exchange and non-exchange transactions	(659 834)	(8 218 505)
Prepayments	258 212	(72 213)
Other financial liability	(316 102)	(104 978)
Other financial asset	451 111	(15 885)
Payables from exchange transactions	3 639 343	8 307 471
VAT	(3 094 846)	(2 446 106)
Consumer deposits	2 565	4 775
	8 618 636	5 392 067

Emadlangeni Local Municipality

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46. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	1 693 313	15 161 513
Total capital commitments		
Already contracted for but not provided for	1 693 313	15 161 513
Authorised operational expenditure		
Already contracted for but not provided for		
• Expenditure	2 608 852	3 534 984
Total operational commitments		
Already contracted for but not provided for	2 631 797	3 534 984
Total commitments		
Total commitments		
Authorised capital expenditure	1 693 313	15 161 513
Authorised operational expenditure	2 608 852	3 534 984
	4 302 165	18 696 497

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, mortgage facilities, existing cash resources, funds internally generated, etc.

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47. Contingencies

The municipality is defending various litigation and claim cases against the Municipality. The municipality's Attorney and management strongly believe that the municipality has a strong defence.

Name of Claimant	Municipal Attorneys	Description of case	Contingent Liability
Asande Projects	Internally represented by municipal legal department	Asande Projects was appointed on a turnkey basis for electrification projects. The municipality terminated the contract citing poor management or workmanship. Asande went to court claiming unlawful termination. There is a court order against the municipality to pay the claim. Negotiations are ongoing to reduce interest and payment plan. There was no movement in this matter in the current financial year. The Municipality was unrepresented in this matter in the current financial year.	R772 800 plus interest at 7%
Ocean Dawn	Internally represented by municipal legal department	The company went to court alleging the unfair or irregular appointment of another security company in their stead. They claim they are the ones that were supposed to have been appointed and their claim is to get an appointment letter and proceed with work as per their submitted bid. The matter is pending in the High Court. There has been no further movement since the last financial year.	R 7 936 143
Mr. ZJ Mkhize	Mdlele Attorneys	Unfair dismissal claim by the ex- Director Corporate services whose contract was terminated as at 31 March 2022.	R679 219

Emadlangeni Local Municipality

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47. Contingencies (continued)

Mr Desmond Joseph Hart	Internally represented	A right of execution was received in this matter. It is alleged that a certain property was in the name of Mr Hart and was subsequently transferred out of his name in 2012. It is alleged that the Municipality did not remove the Municipal account out of Mr Hart's name and continued to charge him until he eventually approached the High Court and obtained an Order for the removal of the account under his name as well as a refund of the monies paid by him since the year 2012. The accounts department has been requested to verify the status of the account in question as well as the allegations in this matter. Should the claim be valid the Municipality will have to settle the claim amount.	R39 066
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Utrecht Townlands Community: This is an application by Utrecht townlands community made to the land claims court for the restitution of the land that once belonged to them and is situated within the jurisdiction of eMadlangeni municipality. The case is not necessarily a claim against eMadlangeni municipality, as the municipality is amongst the respondents in the matter. Mazibuko & Associates is representing the municipality. The financial impact if any is unknown.

Evictions matters- there are number of eviction matters, where the municipality is cited as one of the respondents, in addition to those being evicted. Phumlani Ngubani Incorporated is representing the municipality in those matters. The financial impact if any is unknown.

48. Related parties

Relationships	
Municipal Manager	Mrs Mavundla
Acting Chief Financial Officer	Mr WS Mpanza
Director Infrastructure	SM Nkwanyana
Chief Financial Officer	Mrs PP Sithole
Acting Director Technical	Mr N Kheswa
Acting Director Technical	Mr PPS Zamisa
Director Technical	SM Nkwanyana
Director Corporate Services	Mrs GNS Mapisa

The Municipality does not have any related party transactions other than those disclosed in note 34 and 35 of the financial statements

Emadlangeni Local Municipality

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49. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance affected by prior-year adjustments:

Statement of financial position

Accumulated Surplus

Previously reported	173 819 651
Correction of error: Moveable assets not previously capitalised	1 054 262
Correction of error: Provisions for 2022 13th Cheque payments.	(982 685)
Correction of error: INEP expenses accounted for as work in progress instead of construction expenses	(48 928 064)
Correction of error: INEP expenses accounted for as work in progress instead of construction expenses	(10 485 649)
Correction of error: VAT on INEP expenses recognised as grant revenue instead of Vat output	(1 053 261)
	113 424 254

Payables from Exchange transactions- Trade Payables

Previously reported	12 059 813
Reclassification: Ex-cfo settlement amount incorrectly taken to trade payables account instead of other creditors account	(346 824)
	11 712 989

Payables from exchange transactions: Direct deposits, third parties and other

Previously reported	5 572 113
Reclassification: Ex-cfo settlement amount incorrectly taken to trade payables account instead of other creditors account	346 824
	5 918 937

VAT

Previously reported	6 529 732
Correction of error: Vat on INEP funds treated as grant revenue instead of construction revenue	(1 053 261)
	5 476 471

Plant and Machinery

Previously reported	1 135 124
Correction of error: Moveable assets not previously capitalised	32 363
	1 167 487

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49. Prior-year adjustments (continued)		
Furniture & Fittings		
Previously reported	949 466	
Correction of error: Moveable assets not previously capitalised	264 383	
	1 213 849	
Computer Equipment		
Previously reported	1 219 259	
Correction of error: Moveable assets not previously capitalised	4 422	
	1 223 681	
Motor Vehicles		
Previously reported	1 277 491	
Correction of error: Moveable assets not previously capitalised	600 465	
	1 877 956	
Infrastructure		
Previously reported	137 427 851	
Correction of error: Moveable assets not previously capitalised	687	
Correction of error: INEP expenses previously recognised as WIP instead of Construction Expenditure	(48 928 064)	
Correction of error: INEP expenses previously recognised as WIP instead of Construction Expenditure	(10 485 648)	
	78 014 826	
Statement of financial performance		
Government grants & subsidies		
Previously reported	50 593 791	
Correction of error: INEP expenses previously recognised as grant revenue instead of Construction Revenue	(8 075 484)	
	42 518 307	
Construction Revenue: INEP		
Previously reported	-	
Correction of error: INEP expenses previously recognised as grant revenue instead of Construction Revenue	8 075 484	
Construction Expenses		
Correction of error: INEP expenses previously recognised as WIP instead of Construction Expenditure	10 485 649	
Employee related costs		
Previously reported	39 762 842	
Correction of error: 13th cheque not accounted for	982 685	
	40 745 527	

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Figures in Rand	2023	2022
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49. Prior-year adjustments (continued)

Commitments	Capital	Operational	Total
Previously reported	20 488 388	3 942 327	24 430 715
Correction: Adjustment for contract value/ Contracts not previously taken into account	12 407 961	-	12 407 961
Correction: Adjustment to correctly recognise the value of services previously rendered	(17 734 836)	(407 343)	(18 142 179)
	15 161 513	3 534 984	18 696 497

50. Unauthorised expenditure

Opening balance as previously reported	38 637 612	25 842 542
Opening balance as restated	38 637 612	25 842 542
Add: Expenditure identified - current	28 581 274	12 795 070
Closing balance	67 218 886	38 637 612

The expenditure in the prior year was due to over-spending on the budget line items but the overall expenditure was within the approved budget however majority of these line items are non cash items which have no monetary impact.

The unauthorised expenditure incurred in the current year was due to actual expenditure line items exceeding the budgeted expenditure figures on the following line items.

Unauthorised Expenditure	Final Budget	Actual	Unauthorised Expenditure
Employee related costs	44 514 010	46 546 998	2 032 988
Debt Impairment	1 756 165	12 425 064	10 668 899
Depreciation and Amortisation	9 421 518	18 332 638	8 911 120
Finance Costs	281 199	1 978 717	1 697 518
Lease rentals on operating lease	100 000	151 856	51 856
General expenses	9 571 877	12 996 743	3 424 866
Actuarial Losses	-	182 000	182 000
Loss on disposal of assets	-	1 612 027	1 612 027
	65 644 769	94 226 043	28 581 274

51. Fruitless and wasteful expenditure

Opening balance as previously reported	1 114 453	164 351
Opening balance as restated	1 114 453	164 351
Add: Expenditure identified - current	368 826	950 102
Closing balance	1 483 279	1 114 453

Fruitless and wasteful expenditure is caused by interest incurred on late payments. Council has not written off any amount of money.

Emadlangeni Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
52. Irregular expenditure		
Opening balance as previously reported	115 029 481	81 589 534
Correction of error: Irregular appointment of a contractor by way of section 32 (Gutakura)	-	4 515 559
Correction of error: No contract in place for contractor used	-	538 881
Correction of error: Two stage bidding process not followed	-	1 563 085
Opening balance as restated	115 029 481	88 207 059
Add: Irregular Expenditure - current	25 417 733	26 822 422
Closing balance	140 447 214	115 029 481

The current year irregular expenditure relates to SCM processes not being followed as well as expired contracts exceeding the 15% threshold stipulated in MFMA Circular 62.

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52. Irregular expenditure (continued)

Deviations from supply chain management regulations

	Disciplinary steps taken/criminal proceedings	
Three written quotations not invited	1 786 558	1 514 181
Declaration of interest not submitted	-	-
Awards to close family member of [state details]	-	-
Request for quotations not invited as per SCM policy	70 950	-
	1 857 508	1 514 181

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. .

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	500 000	500 000
Amount paid - current year	-	(500 000)
	500 000	-

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

Audit fees

Opening balance	796 752	1 311 497
Current year fee	3 796 100	1 732 615
Amount paid - current year	-	(512 217)
Amount reversed -current year	(82 466)	-
Amount paid - previous years	(4 488 823)	(1 735 143)
	21 563	796 752

PAYE and UIF

Opening balance	534 221	25 896
Current year subscription / fee	7 332 850	6 589 927
Amount paid - current year	(7 491 455)	(6 081 602)
	375 616	534 221

Pension and Medical Aid Deductions

Opening balance	11 198	11 198
Current year subscription / fee	9 067 903	6 965 045
Amount paid - current year	(9 065 760)	(6 965 045)
	13 341	11 198

VAT

VAT receivable	1 825 920	5 476 471
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Councillors' arrear consumer accounts

No councillors had arrear accounts.

54. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	-	316 102
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

55. Segment information

General information

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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55. Segment information (continued)

Identification of segments

The municipality is organised and reports to management on the basis of major functional areas. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

A segment is an activity of an entity:

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

The identified reportable segments are: Community and Social Services, Governance and Administration, Planning and Development, Trading services

Aggregated segments

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered.

Types of goods and/or services by segment

The type of goods and services in these services are those consistent with the provision of basic services to municipal customers and community. The nature of the services generate economic benefits for the municipality as well improve the service potential of the municipality.

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55. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Community and Social Services	Governance and Administration	Planning and Development	Trading Services	Total
Revenue					
Revenue from exchange transactions	1 654 364	1 108 090	794 153	29 879 634	33 436 241
Revenue from non- exchange transactions	3 103 205	49 641 668	29 077 819	-	81 822 692
Interest Revenue	-	556 512	-	-	556 512
Gains/losses	-	1 109 492	-	-	1 109 492
Total segment revenue	4 757 569	52 415 762	29 871 972	29 879 634	116 924 937
Entity's revenue					116 924 937
Expenditure					
Employee related costs	11 882 907	17 094 179	12 823 187	4 746 724	46 546 997
Councillors remuneration	-	4 596 854	-	-	4 596 854
Depreciation and amortisation	857 844	7 998 142	5 431 828	4 044 823	18 332 637
Finance costs	-	1 978 717	-	-	1 978 717
Lease on operating	-	151 856	-	-	151 856
Debt Impairment	-	12 425 064	-	-	12 425 064
Bulk Purchases	-	-	-	15 896 269	15 896 269
Actuarial Loss	-	182 000	-	-	182 000
General Expenses	-	12 996 743	-	-	12 996 743
Loss on disposal	-	1 612 027	-	-	1 612 027
Contracted services	360 115	24 817 869	1 218 062	340 000	26 736 046
Total segment expenditure	13 100 866	83 853 451	19 473 077	25 027 816	141 455 210
Total segmental surplus/(deficit)					(24 530 273)

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55. Segment information (continued)

	Community and Social Services	Governance and Administration	Planning and Development	Trading Services	Total
Assets					
Current Assets	-	17 490 099	-	-	17 490 099
Non-current assets	-	71 732 515	22 095 345	48 538 933	142 366 793
Total segment assets	-	89 222 614	22 095 345	48 538 933	159 856 892
Total assets as per Statement of financial Position					159 856 892
Liabilities					
Current Liabilities	-	37 743 310	-	4 317 215	42 060 525
Non-current liabilities	-	28 902 384	-	-	28 902 384
Total segment liabilities	-	66 645 694	-	4 317 215	70 962 909
Total liabilities as per Statement of financial Position					70 962 909

2022

	Community and Social Services	Governance and Administration	Planning and Development	Trading Services	Total
Revenue					
Revenue from exchange transactions	1 658 845	1 289 038	640 894	24 598 798	28 187 575
Revenue from non- exchange transactions	6 413 774	54 886 289	12 882 484	-	74 182 547
Interest revenue	-	576 249	-	-	576 249
Gains and Losses	-	-	1 408 501	-	1 408 501
Total segment revenue	8 072 619	56 751 576	14 931 879	24 598 798	104 354 872
Entity's revenue					104 354 872

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55. Segment information (continued)

Expenditure

Bulk Purchases	-	-	-	16 733 578	16 733 578
Contracted Services	5 091 059	7 133 765	547 260	624 008	13 396 092
Depreciation and amortisation	796 270	1 408 869	4 893 236	2 468 245	9 566 620
Employee related costs	10 282 872	16 476 026	10 172 560	3 814 068	40 745 526
Finance costs	-	1 768 860	-	-	1 768 860
Inventory consumed	600 261	(1 592 589)	272 621	719 707	-
Operating leases	-	84 703	-	-	84 703
Operational expenses	1 137 656	18 989 930	569 502	83 425	20 780 513
Remuneration of councillors	-	3 924 880	-	-	3 924 880
Construction Expenses	-	10 485 649	-	-	10 485 649
Total segment expenditure	17 908 118	58 680 093	16 455 179	24 443 031	117 486 421
Total segmental surplus/(deficit)					(13 131 549)

Assets

Current assets	-	21 222 598	-	-	21 222 598
Non-current assets	(955 082)	98 076 291	28 740 736	23 994 138	149 856 083
Total segment assets	(955 082)	119 298 889	28 740 736	23 994 138	171 078 681
Total assets as per Statement of financial Position					171 078 681

Liabilities

Current liabilities	-	(34 492 706)	1 020 902	(172 926)	(33 644 730)
Non-current liabilities	-	(24 009 697)	-	-	(24 009 697)
Total segment liabilities	-	(58 502 403)	1 020 902	(172 926)	(57 654 427)
Total liabilities as per Statement of financial Position					(57 654 427)

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

56. Budget differences

Material differences between budget and actual amounts

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56. Budget differences (continued)

Reasons for all variances in excess of 10% has been provided below.

Other Revenue: Revenue from sale of property was refunded back to customer who was not able to pay in time

Operational Revenue: Operational revenue was not budgeted for.

Rental of facilities: Under-budgeted and more rental was received from game park

Interest earned: Balele grant funds received and unspent lead to an increase in interest revenue.

Licences and Permits: Greater number of customers applied for Licences and Permits

Gain on biological assets: Not budgeted for.

Property Rates: Municipality anticipated that the community would build more housing because of the sites which were sold in prior years which did not materialise.

Property rates-penalties imposed: Not budgeted for.

Government Grants & Subsidies: Grants are based on DORA allocations except for the Balale Game Project Grant which was not gazetted but received.

Fines, penalties and forfeits: Over-budgeted

Debt Impairment: Under-budgeted.

Depreciation and amortisation: Under- budgeted. In addition impairment was not budgeted for.

Finance Charges: Municipality is struggling financially and we were not able to pay suppliers in time. The non-cash element of finance costs relating to the provision for the landfill site is also included in the actual figure and was not budgeted for.

Lease on operating rentals: Under-budgeted.

Inventory consumed: Incorrectly budgeted for.

Contracted services: Municipality did not have sufficient funds to spend on contracted services

General expenses: Under budgeted for.

Actuarial loss: Actuarial loss not budgeted for. Relates to the loss on the post employee benefit valuation.

Loss on disposal of assets: Not budgeted for.

57. 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 obligations and commitments will occur in the ordinary course of business.

The municipality's current liabilities exceed its current assets by R24 570 425. (2022: R12 422 132). The municipality has a net deficit of R24 530 272 (2022: R13 131 549). The municipality's cash and cash equivalents were R2 924 181 (2022: R2 956 639) which is not sufficient to cover the current liabilities of the municipality. Unspent grants is not cashed backed.

The collection rate has improved slightly however there is still a risk that all the outstanding debtors will not be collected.

Over the next 12 months the municipality is still committed to ensure that the expenditure is kept within the funded and approved budget as per the budget funding plan approved by council.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to bill for rates and other services. In addition Provincial and National Government has neither the intention nor the need to liquidate the municipality or curtail the scale of the municipal funding and operations.