

# Annual Financial Statements

for

## Ulundi Local Municipality

for the period ended **30 JUNE 2022**

Province: KwaZulu Natal

AFS rounding: R (i.e. only cents)

### Contact Information:

|  |                                     |
|--|-------------------------------------|
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Compiled by:

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Reviewed by:

MR J.H. MHLONGO

Approved by:

MR S.M KHOMO

[Signature]  
J.H. MHLONGO  
[Signature]

**ULUNDI LOCAL MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

**General information**

**Legal form of entity** Local Municipality

**Municipal demarcation code** KZN266

**Nature of business and principal activities:**

The main business operations of the Municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community rates and general service - All types of services rendered by the Municipality, excluding the following: Housing Services - Supply housing to the community and includes the rental of units owned by the Municipality to public and staff; Waste Management Services - The collection, disposal and purifying of waste, and sewerage; - Electricity is bought in bulk from Eskom and distributed to consumers by the Municipality.

**Legislation**

Constitution of the Republic of South Africa (Act 108 of 1998)  
Local Government Finance Management Act (Act no.56 of 2003)  
Local Government Municipal Systems Act (Act no.32 of 2000)  
Local Government Municipal Structures Act (Act no.117 of 1998)  
Municipal Property Rates Act (Act no.6 of 2004)  
Division of Revenue Act (Act 1 of 2007)

**Members of the Council**

Councillor W M Ntshangase (M)  
Councillor T G Madela (F)  
Councillor S M Buthelezi (M) - EXCO Ex Officio Member  
Councillor S F Zungu (M)  
Councillor S S Siwela (M)  
Councillor M S Gcaba (M)  
Councillor M B Buthelezi (M)  
Councillor J B Mlotshwa (F)  
Councillor S M Khuzwayo (M)  
Councillor M R Dubazane (M)

**His Worship the Mayor**  
**Honourable Deputy Mayor**  
**Honourable Speaker**  
Member of the Executive Committee  
Member of the Executive Committee  
Member of the Executive Committee  
Member of the Executive Committee  
Member of the Executive Committee  
Member of the Executive Committee  
Member of the Executive Committee

**Ordinary Council Members**

Councillor P M Mthethwa (M)  
Councillor N D Masondo (M)  
Councillor S N Buthelezi (M)  
Councillor L D Khumalo (M)  
Councillor J E Xulu (M)  
Councillor A M Sibiyi (M)  
Councillor T Ndlela (M)  
Councillor MD Xulu (M)  
Councillor M Mkhize (M)  
Councillor N E Madela (F)  
Councillor C K Zungu (M) (MPAC Chair)  
Councillor F M Dlamini (M)  
Councillor F Ndawonde (M)  
Councillor M I Ngcobo (M)  
Councillor L K Mbatha (M)  
Councillor S B Mhlongo (F)  
Councillor S D Siyaya (M)  
Councillor S W Mkhize (M)

Councillor T P Khanyile (M)  
Councillor M S Buthelezi (M) (Chief Whip)  
Councillor S M Xulu (M)  
Councillor N E Dhlamini (M)  
Councillor T V Nxumalo (M)  
Councillor T J Manqele (F)  
Councillor F M Buthelezi (M)  
Councillor S Ntshingila (F)  
Councillor M E Biyela (M)  
Councillor T M Khumalo (M)  
Councillor H I Mkhize (F)  
Councillor M N Mgabhi (F)  
Councillor S S Ntombela (M)  
Councillor M B Ntombela (F)  
Councillor J S Mhlongo (M)  
Councillor X N Sithole (M)  
Councillor M O Zungu (M)  
Councillor M Magubane (M)  
Councillor T M Zungu (M)

**Acting Municipal Manager**

Mr S M Khomo

**Chief Financial Officer**

Mr J H Mhlongo

**Grading of Local Authority**

Grade 3

**Grade**

Low Capacity

**Auditors**

Auditor - General South Africa

**Bankers**

First National Bank

**ULUNDI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022**

**General information (continued)**

**Registered Office:** Cnr Princess Magogo & King Zwelithini Streets, Ulundi

**Physical address:** *Cnr Princess Magogo & King Zwelithini Streets*  
ULUNDI  
3838

**Postal address:** *Private Bag X17*  
Ulundi  
3838

**Telephone number:** +27 35 874 5100

**E-mail address:** [skhomo@ulundi.gov.za](mailto:skhomo@ulundi.gov.za)

**Ulundi Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022**

**Accounting Officer's Statement**

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 30 June 2022 and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

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

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or 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 period to 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Annual Financial Statements are prepared on the basis that the municipality is a going concern and that the Ulundi Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. Although the Accounting Officer is primary responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

I would like to bring to your attention the following material matters:

I certify that the salaries, allowances and benefits of Councillors, and payments made to Councillors for loss of office, if any, as disclosed in note 22 to note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The Annual Financial Statements set out on pages 5 to 34, which have been prepared on the assumption that the municipality will continue to operate as a going concern for the next 12 months, were approved and signed by the Accounting Officer on 31 August 2022.



Acting Accounting Officer: Mr S M Khomo

DATE :31 August 2022

**Ulundi Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
30-Jun-22

| <b>Index</b>                                 | <b>Page</b> |
|--|-------------|
| General information                          | 1-2         |
| Approval                                     | 3           |
| Index  | 4           |
| Statement of Financial Position              | 5           |
| Statement of Financial Performance           | 6           |
| Statement of Changes in Net Assets           | 7           |
| Cash Flow Statement                          | 8           |
| Statement of Comparison of actual and budget | 9           |
| Accounting Policies                          | 12-20       |
| Notes to the Annual Financial Statements     | 20-32       |

| ULUNDI LOCAL MUNICIPALITY   |                       |                    |                       |                       |   |  |  |
|---|-----------------------|--------------------|-----------------------|-----------------------|---|--|--|
| STATEMENT OF COMPARISON OF ACTUAL VERSUS BUDGET ( REVENUE AND EXPENDITURE ) FOR THE YEAR ENDED 30 JUNE 2022 |                       |                    |                       |                       |   |  |  |
|   | Original Budget<br>R  | Adjustments<br>R   | Final Budget<br>R     | Actual<br>R           | Actual vs Final Budget<br>Variance<br>R | Actual vs<br>Final budget<br>Variance %<br>% | Explanation on variance of 10% and more  |
| <b>Revenue</b>  |                       |                    |                       |                       |   |  |  |
| Property rates  | 104,212,269.00        | -                  | 104,212,269.00        | 100,047,555.04        | 4,164,714                               | 4%   | This is due to the electricity losses, however the municipality has embarked on a meter auditing on the households within the municipality, unsold.                            |
| Service charges:Electricity   | 91,644,449.00         | -                  | 91,644,449.00         | 63,430,756.39         | 28,213,693                              | 31%  | Economic crisis resulted to inability to honour municipal services (municipal) by households (COVID-19 pandemic)   |
| Service charges:Refuse  | 10,468,913.00         | -                  | 10,468,913.00         | 9,091,894.00          | 1,397,079                               | 13%  | This is due to effective implementation of Credit Control Policy   |
| Interest on Receivables   | 2,005,000.00          | 513,812            | 2,518,812.00          | 3,196,290.92          | (677,479)                               | -27%   | Due to COVID-19 restrictions all amenities were not utilised at all  |
| Rental of facilities and equipment  | 1,722,458.00          | 17,575             | 1,740,033.00          | 1,032,528.79          | 707,504                                 | 41%  | Funds kept in call accounts yielded extra interest that projected  |
| Interest earned - external investments  | 311,511.00            | 188,489            | 500,000.00            | 648,007.61            | (148,008)                               | -30%   | Due to the NDPP correspondence advising municipality not to use speed cameras and also the unavailability where there was a hope for the positive outcome in the current year. |
| Fines   | 1,000,000.00          | -755,000           | 245,000.00            | 167,507.21            | 77,493                                  | 32%  | Besides extension of working hours, KZN July 2021 unrests as well as heavy floods triggered the influx of people from the affected areas to Ulundi for this kind of service.   |
| Licences and permits  | 3,941,767.00          | 20,000             | 3,961,767.00          | 2,039,853.33          | 1,921,914                               | 49%  |  |
| Government grants and subsidies   | 225,344,417.00        | 20,000,000         | 245,344,417.00        | 245,276,983.61        | 67,433                                  | 0%   |  |
| Other income  | 2,056,025.00          | 934,077            | 2,990,102.00          | 2,900,564.02          | 89,538                                  | 3%   |  |
| <b>Total Revenue</b>  | <b>442,726,809.00</b> | <b>20,918,953</b>  | <b>463,645,762.00</b> | <b>427,831,880.92</b> | <b>35,813,881</b>                       |  |  |
| <b>Expenses</b>   |                       |                    |                       |                       |   |  |  |
| Employee related costs  | 152,874,497.00        | 3,293,760          | 156,168,277.00        | 155,484,338.06        | 683,939                                 | 0%   |  |
| Remuneration of councillors   | 17,101,822.00         | -                  | 17,101,822.00         | 16,834,576.52         | 267,245                                 | 2%   |  |
| Provision for bad debts adjustment  | 7,000,000.00          | 2,500,000          | 9,500,000.00          | 9,456,570.82          | 43,429                                  | 0%   |  |
| Depreciation and amortisation expense   | 42,313,714.00         | -12,306,412        | 30,007,302.00         | 27,284,915.65         | 2,722,386                               | 9%   | In this instance it was anticipated that there would be completion of certain assets but that was not achieved due to lockdown as a result of a pandemic.                      |
| Finance costs   | 6,000,000.00          | -4,000,000         | 2,000,000.00          | 18,592.42             | 1,991,408                               | 99%  | Fulfillment and wasteful expenditure   |
| Bulk purchases  | 87,687,132.00         | 26,511,560         | 114,208,712.00        | 113,844,451.02        | 364,261                                 | 0%   |  |
| Bad Debts Written off   | 58,552,062.00         | 2,100,000          | 2,100,000.00          | 2,048,061.69          | 51,918                                  | 2%   |  |
| Contracted services   | 45,184,392.00         | 33,526,258         | 82,078,340.00         | 84,511,856.03         | 7,566,484                               | 8%   |  |
| General expenses  | 8,929,156.00          | -12,404,377        | 32,790,015.00         | 32,431,124.80         | 358,890                                 | 1%   |  |
| Inventory consumed  | 772,000.00            | -2,248,110         | 5,681,046.00          | 4,785,962.89          | 895,083                                 | 16%  | Adherence to Cost Containment measures through reducing paper usage encouraging soft copies.   |
| Transfers and subsidies   | 428,434,796.00        | 960,000            | 1,732,000.00          | -                     | 1,732,000                               | 100%   | Cost containment measures  |
| <b>Total Expenses</b>   | <b>428,434,796.00</b> | <b>36,932,719</b>  | <b>465,367,514.00</b> | <b>446,700,469.90</b> | <b>16,667,044</b>                       |  |  |
| Actual Gain / (loss)  | -                     | -                  | -                     | -115,957.65           | 115,958                                 |  |  |
| Surplus / (deficit) for the period  | <b>16,292,014.00</b>  | <b>-16,013,766</b> | <b>278,248.00</b>     | <b>-18,984,546.53</b> | <b>19,030,879</b>                       |  |  |
| <b>Capital expenditure and fund sources</b>   |                       |                    |                       |                       |   |  |  |
| Capital Expenditure   | 30,833,000.00         | 20,000,000         | 50,833,000.00         | 52,489,000.00         | (1,656,000)                             | -3%  |  |
| Transfer recognised - capital   |                       |                    |                       |                       |   |  |  |



**Ulundi Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

|  | Note       | 2022<br>R          | 2021 Restated<br>R |
|--|------------|--------------------|--------------------|
| <b>ASSETS</b>                              |            |                    |                    |
| <b>Current assets</b>                      |            | <b>96,939,185</b>  | <b>85,451,908</b>  |
| Cash and cash equivalents                  | 2          | 5,996,265          | 10,468,613         |
| Receivables from Exchange Transactions     | 3.1        | 17,618,986         | 12,231,678         |
| Receivables from Non-Exchange Transactions | 3.2        | 58,403,550         | 51,326,254         |
| Inventories                                | 4          | 2,530,578          | 1,836,628          |
| Other Current Assets :Exchange             | 5          | 12,389,805         | 9,588,735          |
| <b>Non-current assets</b>                  |            | <b>547,434,369</b> | <b>527,056,723</b> |
| Property, plant and equipment              | 6          | 530,494,298        | 510,108,092        |
| Heritage Assets                            | 6.1        | 10,501             | 10,501             |
| Investment property                        | 7          | 16,921,000         | 16,921,000         |
| Intangible assets                          | 8          | 8,570              | 17,130             |
| <b>Total assets</b>                        |            | <b>644,373,554</b> | <b>612,508,631</b> |
| <b>LIABILITIES</b>                         |            |                    |                    |
| <b>Current liabilities</b>                 |            | <b>197,939,196</b> | <b>150,700,297</b> |
| Trade and other payables                   | 10         | 177,263,785        | 131,454,679        |
| Provision                                  | 10.1& 10.2 | 16,264,659         | 15,212,703         |
| Consumer deposits                          | 9          | 2,740,992          | 2,728,958          |
| Long service leave award                   | 11         | 1,669,760          | 1,303,958          |
| <b>Non-current liabilities</b>             |            | <b>8,195,240</b>   | <b>7,980,042</b>   |
| Long service leave award                   | 11         | 8,195,240          | 7,980,042          |
| <b>Total liabilities</b>                   |            | <b>206,134,436</b> | <b>158,680,339</b> |
| <b>NET ASSETS</b>                          |            | <b>438,239,137</b> | <b>454,916,050</b> |
| Reserves                                   | 12.2       | 122,732,313        | 122,732,313        |
| Accumulated surplus                        | 12.1       | 315,506,824        | 332,183,737        |
| <b>Total net assets</b>                    |            | <b>438,239,137</b> | <b>454,916,050</b> |



**Ulundi Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2022**

|  | Note | 2022<br>R           | 2021<br>R          |
|--|------|---------------------|--------------------|
| <b>Revenue</b>                                 |      |                     |                    |
| <b>Revenue from exchange transactions:</b>     |      |                     |                    |
| Service charges                                | 14   | 81,451,177          | 78,004,371         |
| Rental of facilities and equipment             | 15   | 74,830,223          | 71,248,350         |
| Interest earned - external                     | 16   | 1,032,529           | 917,488            |
| Licences and permits                           | 19   | 648,008             | 508,112            |
| Operational Revenue                            | 21   | 2,039,853           | 2,635,473          |
|  |      | 2,900,564           | 2,694,947          |
| <b>Revenue from non exchange transactions:</b> |      |                     |                    |
| Property rates                                 | 13   | 348,688,337         | 371,349,300        |
| Interest on Receivables                        | 17   | 100,047,555         | 101,199,939        |
| Fines, Penalties & Forfeits                    | 18   | 3,196,291           | 2,613,315          |
| Government grants and subsidies                | 20   | 167,507             | 56,046             |
| Provision for bad debts adjustment             | 3.1  | 245,276,984         | 267,480,000        |
|  |      | -                   | -                  |
| <b>Total revenue</b>                           |      | <b>430,139,514</b>  | <b>449,353,671</b> |
| <b>Expenses</b>                                |      |                     |                    |
| Employee related costs                         | 22   | 155,484,338         | 147,268,292        |
| Remuneration of councillors                    | 23   | 16,834,577          | 17,093,004         |
| Provision for bad debts adjustment             | 3    | 9,456,571           | 5,630,985          |
| Depreciation                                   | 24   | 27,276,497          | 31,265,922         |
| Amortisation                                   | 8    | 8,419               | 8,865              |
| Bad Debts Written off                          |      | 2,048,082           | 538,878            |
| Finance costs                                  | 25   | 18,592              | 1,442,694          |
| Bulk purchases                                 | 26   | 113,844,451         | 92,487,599         |
| Contracted services                            | 27   | 84,511,856          | 59,249,931         |
| Operational Cost                               | 28   | 32,431,125          | 30,610,742         |
| Inventory consumed                             | 29   | 4,785,963           | 11,446,751         |
| Transfers and subsidies                        | 30   | -                   | 922,676            |
|  |      | -                   | -                  |
| <b>Total expenses</b>                          |      | <b>446,700,470</b>  | <b>397,966,339</b> |
| Actuarial Gain / (loss)                        | 31.1 | (115,958)           | (331,267)          |
| Revaluation surplus                            | 31.2 | -                   | -                  |
| Fair value adjustment: Investment Property     |      | -                   | -                  |
| <b>Surplus / (deficit) for the period</b>      |      | <b>(16,676,914)</b> | <b>51,056,065</b>  |

**Ulundi Local Municipality**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR PERIOD ENDED 30 JUNE 2022**

|   | Note | Revaluation Reserve | Total: Reserves | Accumulated Surplus/(Deficit) | Total: Net Assets  |
|---|------|---------------------|-----------------|-------------------------------|--------------------|
|   |      | R                   | R               | R                             | R                  |
| Balance at 01 July 2021                       |      | 122,732,313         | -               | 331,433,511                   | 454,165,824        |
| Prior period error                            |      |                     |                 |                               | -                  |
| Sundry debtors                                | 42   |                     |                 | -366,849                      | -366,849           |
| Unpresented cheque                            | 42   |                     |                 | 29,318                        | 29,318             |
| Receivables (Indigent)                        |      |                     |                 | 1,087,758                     | 1,087,758          |
| Restated balance at 30 June 2021              |      | 122,732,313         |                 | 332,183,737                   | 454,916,050        |
| Surplus / (deficit) for the period- June 2022 |      |                     |                 | (16,676,914)                  | (16,676,914)       |
| Balance as at 30 June 2022                    |      | <b>122,732,313</b>  | <b>-</b>        | <b>315,506,824</b>            | <b>438,239,137</b> |

| ULUNDI LOCAL MUNICIPALITY                           |                             |                                     |                  |                |             |                 |
|---|-----------------------------|-------------------------------------|------------------|----------------|-------------|-----------------|
| REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2022 |                             |                                     |                  |                |             |                 |
|   | Community and public safety | Economic and environmental services | Trading Services | Other          | Unallocated | Total           |
| <b>Segment Revenue</b>                              | 14,308,599.43               | -                                   | 70,360,067.60    | 342,253,845.00 | -           | 427,831,870.53  |
| External revenue from non-exchange transactions     | 2,144,383.00                | -                                   | 5,004,982.14     | 341,513,074.00 | -           | 348,662,439.14  |
| External revenue from exchange transactions         | 12,164,216.43               | -                                   | 63,430,755.96    | 909,358.50     | -           | 76,504,330.89   |
| Revenue from transactions with other segments       | -                           | -                                   | 1,924,329.50     | -              | -           | 1,924,329.50    |
| Interest revenue                                    | -                           | -                                   | -                | 740,771.00     | -           | 740,771.00      |
| <b>Segment Expenses</b>                             | 28,718,751.81               | 5,633,878.67                        | 169,608,710.00   | 242,739,119.05 | -           | 446,700,459.53  |
| Total segment expenses                              | 22,738,032.81               | 5,633,878.67                        | 167,313,149.00   | 223,720,310.15 | -           | 419,405,370.63  |
| Depreciation and amortisation                       | 5,980,719.00                | -                                   | 2,276,969.00     | 19,018,808.90  | -           | 27,276,496.90   |
| Interest expense                                    | -                           | -                                   | 18,592.00        | -              | -           | 18,592.00       |
| Internal charges                                    | -                           | -                                   | -                | -              | -           | -               |
| <b>Share of Surplus/(Deficit) of Segment</b>        | - 14,410,152.38             | - 5,633,878.67                      | - 99,248,642.40  | 99,514,725.95  | -           | - 18,868,589.00 |
| Taxation  | -                           | -                                   | -                | -              | -           | -               |
| Actuarial Gain / (loss)                             | -                           | -                                   | -                | 115,958.00     | -           | 115,958.00      |
| <b>Surplus/deficit for the year</b>                 | - 14,410,152.38             | - 5,633,878.67                      | - 99,248,642.40  | 99,398,767.95  | -           | - 18,984,547.00 |

| Other Information                          |                             |                                     |                  |                |                |
|--|-----------------------------|-------------------------------------|------------------|----------------|----------------|
|  | Community and public safety | Economic and environmental services | Trading Services | Other          | Total          |
| <b>Segment assets</b>                      | 195,094,399.46              | 42,024,004.48                       | 29,923,670.10    | 374,289,134.37 | 640,978,182.73 |
| Cash and cash equivalents                  | -                           | -                                   | 1 895 926.32     | 4 100 747.05   | 5 996 265      |
| Receivables from Exchange Transactions     | -                           | -                                   | 6 086 537.80     | 11 532 448.53  | 17 618 986     |
| Receivables from Non-Exchange Transactions | -                           | -                                   | -                | 58 403 550.14  | 58 403 550     |
| Inventories                                | -                           | -                                   | -                | 2 530 578.00   | 2 530 578      |
| Other Current Assets :Exchange             | -                           | -                                   | -                | 9 346 490.56   | 8 994 414      |
| Property, plant and equipment              | 178 173 399.46              | 42 024 004.48                       | 21 941 205.98    | 288 355 708.08 | 530 494 318    |
| Heritage Assets                            | -                           | -                                   | -                | 10 501.00      | 10 501         |
| Investment property                        | 16 921 000.00               | -                                   | -                | -              | 16 921 000     |
| Intangible assets                          | -                           | -                                   | -                | 9 111.00       | 8 570          |
| <b>Segment liabilities</b>                 | -                           | -                                   | 180,118,277.00   | 26,017,769.00  | 194,882,144.96 |
| Trade and other payables                   | -                           | -                                   | 175 707 525.00   | 1 556 240.00   | 177 263 765    |
| Provision                                  | -                           | -                                   | -                | 16 266 289.00  | 16 264 659     |
| Consumer deposits                          | -                           | -                                   | 2 740 992.00     | -              | 2 740 992      |
| Other Non-current Liabilities              | -                           | -                                   | 1 669 760.00     | -              | 1 669 760      |
| Other Non-current Liabilities              | -                           | -                                   | -                | 8 195 240      | 8 195 240      |
| Additions to non-current assets            | -                           | -                                   | -                | -              | -              |
| Non-cash expenses (included above)         | -                           | -                                   | -                | -              | -              |
| Cash flows from operating activities       | -                           | -                                   | -                | 39,177,441.00  | 36,398,418     |
| Cash flows from investing activities       | 34 717 535.00               | -                                   | -                | -              | -47 662 723    |
| Cash flows from financing activities       | -                           | -                                   | -                | 12,034.00      | 12,034.00      |

| ULUNDI LOCAL MUNICIPALITY                           |                             |                                     |                  |                |             |                |
|---|-----------------------------|-------------------------------------|------------------|----------------|-------------|----------------|
| REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2021 |                             |                                     |                  |                |             |                |
|   | Community and public safety | Economic and environmental services | Trading Services | Other          | Unallocated | Total          |
| <b>Segment Revenue</b>                              | 12,613,315.00               | 45,336,000.00                       | 73,883,824.04    | 317,520,532.83 | -           | 449,353,671.87 |
| External revenue from non-exchange transactions     | -                           | -                                   | -                | 104,868,420.73 | -           | 104,868,420.73 |
| External revenue from exchange transactions         | 2,613,315.00                | -                                   | 73,883,824.04    | -              | -           | 76,497,139.04  |
| Revenue from transactions with other segments       | 10,000,000.00               | 45,336,000.00                       | -                | 212,144,000.00 | -           | 267,480,000.00 |
| Interest revenue                                    | -                           | -                                   | -                | 508,112.10     | -           | 508,112.10     |
| <b>Segment Expenses</b>                             | 32,093,007.00               | 77,351,063.00                       | 102,772,317.19   | 185,749,953.00 | 8,865.00    | 397,975,205.19 |
| Total segment expenses                              | 26,879,235.00               | 56,879,354.00                       | 98,756,321.00    | 182,733,948.00 | -           | 365,248,858.00 |
| Depreciation and amortisation                       | 5,213,772.00                | 20,471,709.00                       | 2,573,302.00     | 3,016,005.00   | 8,865.00    | 31,283,653.00  |
| Interest expense                                    | -                           | -                                   | 1,442,694.19     | -              | -           | 1,442,694.19   |
| <b>Share of Surplus/(Deficit) of Segment</b>        | - 19,479,692.00             | - 32,015,063.00                     | - 28,888,493.15  | 131,770,579.83 | 8,865.00    | 51,378,466.68  |
| Actuarial Gain / (loss)                             | -                           | -                                   | -                | 331,266.90     | -           | 331,266.90     |



| Other information                          |  |                                |   |                      |                       |                       |
|--|--|--------------------------------|---|----------------------|-----------------------|-----------------------|
|  |  | Community and<br>public safety | Economic and<br>environmental<br>services | Trading Services     | Other                 | Total                 |
| <b>Segment assets</b>                      |  | <b>157,910,857.69</b>          | <b>105,682,919.15</b>                     | <b>36,676,764.88</b> | <b>312,506,208.07</b> | <b>612,776,749.79</b> |
| Cash and cash equivalents                  |  |                                |   | 1,768,559.26         | 8,700,053.92          | 10,468,613.18         |
| Receivables from Exchange Transactions     |  |                                |   | 12,231,677.96        |                       | 12,231,677.96         |
| Receivables from Non-Exchange Transactions |  |                                |   |                      | 51,326,254.00         | 51,326,254.00         |
| Inventories                                |  |                                |   |                      | 1,836,627.91          | 1,836,627.91          |
| Other Current Assets - Exchange            |  |                                |   |                      | 9,856,853.80          | 9,856,853.80          |
| Property, plant and equipment              |  | 157,910,857.69                 | 105,682,919.15                            | 22,676,527.66        | 223,837,787.44        | 510,108,091.94        |
| Heritage Assets                            |  |                                |   |                      | 10,501.00             | 10,501.00             |
| Investment property                        |  |                                |   |                      | 16,921,000.00         | 16,921,000.00         |
| Intangible assets                          |  |                                |   |                      | 17,130.00             | 17,130.00             |
| <b>Segment liabilities</b>                 |  | <b>-</b>                       | <b>-</b>                                  | <b>99,670,951.80</b> | <b>58,939,973.63</b>  | <b>216,724,758.83</b> |
| Trade and other payables                   |  |                                |   | 99,670,951.80        | 31,714,312.70         | 131,385,264.50        |
| Provision                                  |  |                                |   |                      | 15,212,703.11         | 15,212,703.11         |
| Consumer deposits                          |  |                                |   |                      | 2,728,957.82          | 2,728,957.82          |
| Other Non-current Liabilities              |  |                                |   |                      | 1,303,957.55          | 1,303,957.55          |
| Other Non-current Liabilities              |  |                                |   |                      | 7,980,042             | 7,980,042.45          |
| Additions to non-current assets            |  |                                | 3,556,957                                 | 17,909,900.46        | 925,858.00            | 22,392,715.46         |
| Non-cash expenses (included above)         |  | 5,213,772.00                   | 20,471,709.00                             | 2,573,302.00         | 3,016,005.00          | 31,274,788.00         |
| Cash flows from operating activities       |  |                                |   |                      | 44,707,438.94         | 44,707,438.94         |
| Cash flows from investing activities       |  | - 40,336,338.00                |   |                      |                       | - 40,336,338.00       |
| Cash flows from financing activities       |  |                                |   |                      | 75,229.00             | 75,229.00             |

**Ulundi Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
**CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2022**

|   | Note | 2022<br>R           | 2021<br>R            |
|---|------|---------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |      |                     |                      |
| <b>Cash Receipts :</b>  |      |                     |                      |
| Customers   |      | 405,857,021         | 439,645,622          |
| Government  |      | 160,513,161         | 172,165,622          |
|   |      | 245,343,860         | 267,480,000          |
| <b>Cash paid :</b>  |      |                     |                      |
| Suppliers   |      | (363,308,096)       | (394,003,601)        |
| Employees & Councillors   |      | (192,658,114)       | (229,642,305)        |
|   |      | (170,649,982)       | (164,361,296)        |
| <b>Cash generated by/(utilised in) operations</b>                 | 32   | <b>42,548,925</b>   | <b>45,642,020.94</b> |
| Interest received   |      | 648,008             | 508,112              |
| Interest paid   |      | (18,592)            | (1,442,694)          |
| <b>Net cash flows from operating activities</b>                   |      | <b>43,178,340</b>   | <b>44,707,438.94</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |      |                     |                      |
| Purchase of fixed assets (PPE)                                    | 6    | (47,662,723)        | (40,336,338)         |
| <b>Net cash flows from investing activities</b>                   |      | <b>(47,662,723)</b> | <b>(40,336,338)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |      |                     |                      |
| Increase/(decrease) in consumer deposits                          |      | 12,034              | 75,229               |
| <b>Net cash flows from financing activities</b>                   |      | <b>12,034</b>       | <b>75,229</b>        |
| <b>Net increase / (decrease) in net cash and cash equivalents</b> |      | <b>-4,472,348</b>   | <b>4,446,330</b>     |
| <b>Net cash and cash equivalents at beginning of period</b>       |      | <b>10,468,613</b>   | <b>6,022,283</b>     |
| <b>Net cash and cash equivalents at end of period</b>             | 2.1  | <b>5,996,265</b>    | <b>10,468,613</b>    |

**Ulundi Local Municipality**  
ACCOUNTING POLICIES FOR THE PERIOD ENDED 30 JUNE 2022

**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

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

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

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

|           |   |
|-----------|---|
| GRAP 1    | Presentation of Financial Statements                            |
| GRAP 2    | Cash Flow Statements  |
| GRAP 3    | Accounting Policies, Changes in Accounting Estimates and Errors |
| GRAP 9    | Revenue From Exchange Transactions                              |
| GRAP 11   | Construction Contracts  |
| GRAP 12   | Inventories   |
| GRAP 13   | Leases  |
| GRAP 14   | Events After Reporting Date                                     |
| GRAP 16   | Investment Property   |
| GRAP 17   | Property, Plant and Equipment                                   |
| GRAP 19   | Provisions, Contingent Liability and Contingent Assets          |
| GRAP 20   | Related Party Disclosure  |
| GRAP 21   | Impairment of Non Cash Generating Assets                        |
| GRAP 23   | Revenue From Non Exchange Transactions (Taxes and Transfers)    |
| GRAP 24   | Presentation of Budget Information in the Financial Statements  |
| GRAP 25   | Employee Benefits   |
| GRAP 26   | Impairment of Non Generating Assets                             |
| GRAP 102  | Intangible Assets   |
| GRAP 104  | Financial Instruments   |
| GRAP 108  | Statutory Receivables   |
| GRAP 109  | Accounting by Principals and Agents                             |
| I GRAP 1  | Revenue Recognition (Traffic fines)                             |
| I GRAP 18 | Recognition and Derecognition of Land                           |

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

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

**1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and added and recorded to the nearest rand.

**1.3 GOING CONCERN ASSUMPTION**

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

**1.4 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided in a statement of comparison of actual and budget to these financial statements and forms part of the audited annual financial statements.

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

**1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 104 Financial Instruments

## 2 PROPERTY, PLANT AND EQUIPMENT

### 2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

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

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

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

### 2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL - LAND

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset. Revaluation is performed every five years with the last valuation was performed 30 June 2020

### 2.2.2 SUBSEQUENT MEASUREMENT - COST MODEL - PROPERTY, PLANT AND EQUIPMENT

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

#### Derecognition

The carrying amount of items of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

|                       |       |                         |    |
|-----------------------|-------|-------------------------|----|
| <b>Infrastructure</b> |       | <b>Other</b>            |    |
| Roads and Paving      | 10-20 | Buildings               | 30 |
| Pedestrian Malls      | 30    | Air Conditioners        | 7  |
| Transformer & Kiosks  | 25-30 | Tractors                | 7  |
| Sewerage              | 20    | Office equipment        | 5  |
| Mini Substation       | 25    | Fire Engine             | 20 |
|                       |       | Furniture and fittings  | 10 |
| <b>Community</b>      |       | Machinery and Equipment | 7  |
| Buildings             | 30    | Tools                   | 5  |
| Outdoor facilities    | 10    | Radio                   | 5  |
|                       |       | Computer equipment      | 5  |

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.



### 3 INTANGIBLE ASSETS

#### 3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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

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

Intangible assets are initially recognised at cost.

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

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

#### 3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

#### 3.3 AMORTISATION AND IMPAIRMENT

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

##### Computer software

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

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

#### 3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 4 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

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 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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

| Item                     | Depreciation method | Average useful life |
|--------------------------|---------------------|---------------------|
| Computer software, other | Straight line       | 5                   |

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

Intangible assets are derecognised:

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

## 5 INVESTMENT PROPERTY

### 5.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. The values were determined by the Municipal Valuers, and Civil Engineers appointed for the purpose, and the valuation process was completed during the financial year ending 30 June 2021

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The values did not change significantly since there were no major infrastructure developments that could have affected the market values.

### 5.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises. The fair values are determined every five years using the General Valuation Roll

## 6 INVENTORIES

### 6.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised using weighted average method. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process. Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### 6.2 SUBSEQUENT MEASUREMENT

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

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

## 7 FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

### 7.1 INITIAL RECOGNITION

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument. The entity does not offset a financial asset or financial liability unless a legally enforceable right to offset the recognised amounts currently exist and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. "Fair value methods and assumption. The fair values of financial instruments are determined as follows: The fair value of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unutilised securities), the company establishes fair value by using valuation techniques. These include the use of the recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs."

### 7.2 The effective interest rate

The effective interest rate method of calculating the amortised cost of a financial asset or financial liability 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.

### 7.3 Amortised cost

Amortised cost 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 for impairment or uncollectibility.

### 7.4 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

#### 7.4.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### 7.4.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### 7.4.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### 7.4.4 CASH AND CASH EQUIVALENTS

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

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

#### 7.4.5 INITIAL RECOGNITION

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

## 8 UNAUTHORISED EXPENDITURE

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

## 9 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 10 FRUITLESS AND WASTEFUL EXPENDITURE

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

#### 11 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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

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

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met: the principal locations affected; the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and when the plan will be implemented; and

(a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned; - the principal locations affected, - the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken, and - when the plan will be implemented; and

(b) The municipality 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.

#### 12 LEASES

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

##### 12 Finance leases - lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

## 12 Finance leases - lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

## 12 Operating leases - lessees

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/ liability. Any contingent rents are expensed in the period they are incurred.

## 12 Operating leases - lessor

Operating lease income 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 income.

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

## 13 REVENUE

### 13 REVENUE FROM EXCHANGE TRANSACTIONS

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

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

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

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

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

### 13 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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

### 13 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

### 14 CONSTRUCTION CONTRACTS AND RECEIVABLES

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 [the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs OR surveys of work done OR completion of a physical proportion of the contract work].

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

### 15 IMPAIRMENT OF ASSETS

#### 15 Cash generating assets

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

#### Value in use:

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Discount rate:

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

#### Recognition and measurement:

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit. A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

#### 15 Non-cash generating assets

##### Identification:

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset. If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined. The recoverable service amount of an asset or a non-cash-generating unit is the higher of its fair value less costs to sell and its value in use.

##### Value in use:

Value in use of an asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of an asset is determined using the following approach: Depreciated replacement cost approach: Value in use of an asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of an asset is determined using the following approach:

##### Depreciation replacement cost approach:

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

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

#### Recognition and measurement:

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit. The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: - to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

#### 16 Employee benefits

##### 16 Long service awards

The present value of the long service award depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The Projected Unit Credit funding method has been used to determine the value of this liability.

##### 16 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 costs 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.

##### 16 Defined contribution plans

Council employees contribute to the Natal Joint Municipal Pension Fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods. The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

#### 17 Budget

The municipality's budget has been prepared on accrual basis method.

#### 18 Commitments

Commitments are not recognised. Commitments are disclosed in the notes to the annual financial statements. A commitment is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

#### 19 Value Added Tax

The municipality accounts for Value Added Tax on the cash basis.

#### 20 Related parties

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

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

#### 21 Events after reporting date

Recognised amounts in the financial statements are adjusted to reflect events arising after the reporting date that provided evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note to the annual financial statements.

**Ulundi Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2022**

Note                      2022  
R

**2 CASH AND CASH EQUIVALENTS**

2.1 Cash and cash equivalents consist of the following:

**Call Deposits**

|   |           |
|---|-----------|
| (FNB 62328066776 Electricity Sales Acc) | 1,895,926 |
| (FNB 62324120261 DME Account)           | 2,496     |
| (FNB 62062833639 Housing Grant)         | 246,284   |
| (FNB 62067492802 Conditional Grant)     | 1,669     |
| (FNB 62064936093 FMG GRANT)             | 7,957     |
| (FNB 62064936340 Statutory Funds)       | 372       |
| (FNB 62067492943 MIG Funds)             | 2,616     |
| (Fnb 62179391190 Investment Acc Main)   | 3,240,841 |
| (Fnb 62261683471 Traffic revenue)       | -         |

**5,398,160.86**

**Cash at bank**

|                       |         |
|-----------------------|---------|
| Primary bank account  | 477,894 |
| Salaries bank account | 16,258  |
| Credit card           | (1)     |

**494,151**

**Cash on hand**

|                                       |         |
|---------------------------------------|---------|
| Petty cash                            | 1,000   |
| Main direct cashiers clearing account | 102,953 |

**103,953**

**Total cash & cash equivalents**

**5,996,265**

**2.2 Bank accounts**

The Municipality has the following bank accounts: -

First National Bank - Ulundi: 62035267609 477,894

**2.3 Current Account (Primary Bank Account)**

First National Bank - Ulundi: 62035267609

| 30-Jun-22                               |                |
|---|----------------|
| Cash book                               | Bank Statement |
| (FNB 62328066776 Electricity Sales Acc) | 1,895,926.32   |
| (FNB 62324120261 DME Account)           | 2,496.11       |
| (FNB 62062833639 Housing Grant)         | 246,283.79     |
| (FNB 62067492802 Conditional Grant)     | 1,668.75       |
| (FNB 62064936093 FMG GRANT)             | 7,956.86       |
| (FNB 62064936340 Statutory Funds)       | 371.97         |
| (FNB 62067492943 MIG Funds)             | 2,616.28       |
| (FNB 62179391190 Investment Acc Main)   | 3,240,840.78   |
| (FNB 62261683471 Traffic revenue)       | -              |

First National Bank - Ulundi: 62035267609

| 30-Jun-21                               |                |
|---|----------------|
| Cash book                               | Bank Statement |
| (FNB 62328066776 Electricity Sales Acc) | 1,969,318.99   |
| (FNB 62324120261 DME Account)           | 1,768,559.26   |
| (FNB 62062833639 Housing Grant)         | 208,138.23     |
| (FNB 62067492802 Conditional Grant)     | 228,787.95     |
| (FNB 62064936093 FMG GRANT)             | 16,077.92      |
| (FNB 62064936340 Statutory Funds)       | 16,077.92      |
| (FNB 62067492943 MIG Funds)             | 61,943.40      |
| (FNB 62179391190 Investment Acc Main)   | 69,632.14      |
| (FNB 62261683471 Traffic revenue)       | 61,943.40      |
| (FNB 4228250060371001 Credit Card)      | 69,632.14      |
|   | 15,390.65      |
|   | 15,390.65      |
|   | 6,045,762.37   |
|   | 6,045,762.37   |
|   | 408.00         |
|   | 408.00         |



**Ulundi Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2022**

Note                      2022  
R

**3 CONSUMER RECEIVABLES**

**3.1 CONSUMER RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Trade receivables

as at 30 June 2021

Waste management & Electricity

Service debtors: Income received in advance

Property rental debtors

| Gross Balances    | Impairment          |
|-------------------|---------------------|
| R                 | R                   |
| 21,595,966.00     | -14,994,195         |
| 5,076,513.00      |                     |
| 553,394.00        |                     |
| <b>27,225,873</b> | <b>(14,994,195)</b> |

**Total Trade and other receivables**

as at 30 June 2022

Service debtors

Service debtors: Income received in advance

Property rental debtors

**Total**

|                   |                     |
|-------------------|---------------------|
| 26,623,476.00     | -15,465,905         |
| 6,086,538         |                     |
| 374,878.00        |                     |
| <b>33,084,892</b> | <b>(15,465,905)</b> |

Refuse: Ageing

Current (0 – 30 days)

31 - 60 Days

61 - 90 Days

91 - 120 Days

121 Days and over

**Total**

| 2022             |
|------------------|
| 1,145,869        |
| (12,785)         |
| 298,943          |
| 268,699          |
| 8,041,432        |
| <b>9,742,158</b> |

Electricity and other: Ageing

Current (0 – 30 days)

31 - 60 Days

61 - 90 Days

91 - 120 Days

121 Days and over

**Total**

| 2022              |
|-------------------|
| 4,932,307         |
| -                 |
| 785,307           |
| 309,964           |
| 10,853,740        |
| <b>16,881,318</b> |

**Ulundi Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2022**

|   | Note                  | 2022<br>R           |
|---|-----------------------|---------------------|
| <b>3.1.1 IMPAIRMENT RECONCILIATION OF CONSUMER RECEIVABLES</b>                                    |                       |                     |
|   |                       | <b>2022</b>         |
| Balance at beginning of the year  |                       | 57,264,604          |
| Impairment during the year  |                       | 9,456,571           |
| <b>Balance at end of year</b>   |                       | <b>66,721,174</b>   |
| <b>3.1.2 Ageing of Impaired Consumer Receivables</b>  |                       |                     |
|   |                       | <b>2022</b>         |
| 31 - 60 Days  |                       |                     |
| 61 - 90 Days  |                       | 100,063             |
| 91 - 120 Days   |                       | 160,409             |
| 121 Days and over   |                       | 15,205,432          |
|   |                       | <b>15,465,905</b>   |
| No Government debts have been provided for in above amounts as per the Municipal approved policy. |                       |                     |
| <b>Trade and other receivables impaired</b>   |                       |                     |
| As of 30 June 2022, trade and other receivables of R66 721 174 were impaired and provided for.    |                       |                     |
| <b>3.2 TRADE AND OTHER RECEIVABLES FROM NON EXCHANGE TRANSACTIONS</b>                             |                       |                     |
| <b>3.2.1 Trade receivables</b>  | <b>Gross Balances</b> | <b>Impairment</b>   |
| <b>as at 30 June 2021</b>   | <b>R</b>              | <b>R</b>            |
| Rates   | 80,181,926            | (42,270,409)        |
| Interest on arrear debtors  | 13,414,737            | -                   |
|   | <b>93,596,663</b>     | <b>(42,270,409)</b> |
| <b>Total Trade and other receivables</b>  |                       |                     |
| <b>as at 30 JUNE 2022</b>   |                       |                     |
| Rates   | 92,232,210            | (51,255,269)        |
| Interest on arrear debtors  | 17,426,609            |                     |
| <b>Total</b>  | <b>109,658,819</b>    | <b>(51,255,269)</b> |
| <b>Total Trade and other receivables</b>  |                       |                     |
| <b>Rates: Ageing</b>  |                       |                     |
|   |                       | <b>2022</b>         |
| Current (0 – 30 days)   |                       | 5,465,898           |
| 31 - 60 Days  |                       | -54,202             |
| 61 - 90 Days  |                       | 1,103,903           |
| 91 - 120 Days   |                       | 2,429,275           |
| 121 Days and over   |                       | 100,713,945         |
| <b>Total</b>  |                       | <b>109,658,819</b>  |
| <b>3.2.2 Ageing of Impaired Consumer Receivables</b>  |                       |                     |
|   |                       | <b>2022</b>         |
| 31 - 60 Days  |                       |                     |
| 61 - 90 Days  |                       | 334,995             |
| 91 - 120 Days   |                       | 537,022             |
| 121 Days and over   |                       | 50,383,252          |
|   |                       | <b>51,255,269</b>   |

**Ulundi Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2022**

|  | Note | 2022<br>R                |
|--|------|--------------------------|
| <b>4 INVENTORIES</b>                                   |      | <b>2022</b>              |
| Opening balance  |      | 1,836,628                |
| Consumables:Received                                   |      | 1,598,058.82             |
| Stock adjustment                                       |      | -904,108.93              |
| Consumables:Issued                                     |      |                          |
| <b>Closing balance of inventories:</b>                 |      | <b><u>2,530,578</u></b>  |
| <b>5 OTHER RECEIVABLES FROM -EXCHANGE TRANSACTIONS</b> |      | <b>2022</b>              |
| VAT receivable not yet assessed                        |      | 7,305,457                |
| VAT receivable   |      | 1,688,957                |
| Other debtors  |      | 3,395,391                |
|  |      | <b><u>12,389,805</u></b> |



|                    |
|--------------------|
|                    |
| <b>2021</b>        |
| <b>R</b>           |
| <b>Net balance</b> |
| <b>R</b>           |
| 6,601,771          |
| 5,076,513          |
| 553,394            |
| <b>12,231,678</b>  |
|                    |
| 11,157,571         |
| 6,086,538          |
| 374,878            |
| <b>17,618,986</b>  |
|                    |
| <b>2021</b>        |
| 153,269            |
| (65,237)           |
| 253,328            |
| 200,706            |
| 6,823,339          |
| <b>7,365,405</b>   |
|                    |
| <b>2021</b>        |
| 3,866,264          |
| (43,035)           |
| 86,412             |
| 22,895             |
| 10,298,025         |
| <b>14,230,561</b>  |

|                    |
|--------------------|
| <b>2021</b>        |
| <b>R</b>           |
| <b>2021</b>        |
| 51,633,619         |
| 5,630,985          |
| <b>57,264,604</b>  |
| <b>2021</b>        |
| -                  |
| 70,377             |
| 138,436            |
| 12,962,045         |
| <b>13,170,858</b>  |
| <b>Net balance</b> |
| <b>R</b>           |
| 37,911,517         |
| 13,414,737         |
| <b>51,326,254</b>  |
| <b>40,976,941</b>  |
| <b>17,426,609</b>  |
| <b>58,403,550</b>  |
| <b>2021</b>        |
| 5,571,131          |
| (138,501)          |
| 1,394,457          |
| 1,561,374          |
| 85,208,202         |
| <b>93,596,663</b>  |
| <b>2021</b>        |
| -                  |
| 235,609            |
| 463,461            |
| 43,394,675         |
| <b>44,093,745</b>  |

|                  |
|------------------|
|                  |
| <b>2021</b>      |
| <b>R</b>         |
| <b>2021</b>      |
| 3,355,396        |
| 7,995,299        |
| 751,653          |
| (10,265,720)     |
| <b>1,836,628</b> |
|                  |
| <b>2021</b>      |
| 5,937,514        |
| 3,651,222        |
| -                |
| <b>9,588,735</b> |
|                  |

**Utundi Local Municipality  
FINANCIAL STATEMENTS  
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022**

**5 PROPERTY, PLANT AND EQUIPMENT**

|  | 2022           |                 |                 |                 |                  |                    |                              |                      |                     |              | Carrying Amount |                    |
|--|----------------|-----------------|-----------------|-----------------|------------------|--------------------|------------------------------|----------------------|---------------------|--------------|-----------------|--------------------|
|  | Land           | Buildings       | Infrastructure  |                 |                  | Community          |                              | Other Assets         |                     |              |                 |                    |
|  |                |                 | Roads           | Stormwater      | Electricity      | Outdoor Facilities | Cemeteries/ Halls/ Libraries | Furniture & Fittings | Machinery Equipment | Transport    |                 | Computer Equipment |
| Carrying amount as at 01 July 2021                 | 52 283 376.77  | 42 967 212      | 91 997 957      | 13 731 362      | 22 676 526       | 68 299 002         | 89 811 896                   | 95 468               | 1 181 570           | 3 350 445    | 1 112 083       | 510 168 082        |
| Cost/Revaluation                                   | 174 984 266.77 | 66 223 301      | 669 479 336     | 38 106 864      | 178 024 532      | 85 363 866         | 127 650 418                  | 4 132 143            | 8 860 519           | 4 037 474    | 8 643 255       | 1 364 161 630      |
| Accumulated depreciation and impairment losses     | -              | (24 256 089)    | (77 581 744)    | (24 375 522)    | (155 358 004)    | (17 284 596)       | (39 347 563)                 | (4 030 675)          | (7 784 949)         | (467 026)    | (6 931 161)     | (84 653 738)       |
| <b>Movements for the period ended 30 JUNE 2022</b> |                |                 |                 |                 |                  |                    |                              |                      |                     |              |                 |                    |
| <b>Movements for the year</b>                      |                |                 |                 |                 |                  |                    |                              |                      |                     |              |                 |                    |
| Acquisitions/ Additions                            |                |                 | 14 424 405      |                 | 1 541 647        | 1 106 912          | 196 900 00                   |                      | 143 483 41          | 102 116      | 371 322         | 3 554 052          |
| Completed Project (C/C)                            |                |                 |                 |                 |                  | 5 990 374          |                              |                      |                     |              |                 | 23 414 779         |
| Capital Under Construction                         |                |                 |                 |                 |                  | 6 309 296          | 17 384 586 50                |                      |                     |              |                 | 23 653 652         |
| Depreciation for the year                          |                | (1 515 110)     | (14 033 957)    | (1 522 054)     | (2 137 333)      | (1 683 336)        | (4 944 870)                  | (46 303)             | (313 403)           | (403 747)    | (378 184)       | (27 276 517)       |
| Cost/Revaluation                                   |                |                 |                 |                 |                  |                    |                              |                      |                     |              |                 |                    |
| Carrying amount as at 30 JUNE 2022                 | 174 984 266.77 | 41 454 101.55   | 82 288 805.15   | 12 208 838.05   | 22 060 842.55    | 79 315 227.58      | 102 217 151.12               | 192 648.31           | 970 066.80          | 3 146 697.97 | 1 195 230.69    | 530 454 297.77     |
| Cost/Revaluation                                   | 174 984 266.77 | 66 223 300.99   | 669 479 335.44  | 38 106 864.08   | 179 076 179.42   | 80 085 580.14      | 143 530 583.67               | 4 275 629.40         | 8 068 658.38        | 4 037 473.59 | 7 014 577.15    | 1 411 524 552      |
| Accumulated depreciation and impairment losses     | -              | (24 769 199.44) | (87 190 529.29) | (25 898 026.03) | (157 015 336.87) | (18 249 352.56)    | (43 292 432.55)              | (4 062 978.09)       | (6 286 331.58)      | (600 775.62) | (5 999 346.46)  | (810 530 254)      |

**Utundi Local Municipality  
FINANCIAL STATEMENTS  
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021**

|  | 2021           |                 |                 |                 |                  |                    |                              |                      |                     |              | Carrying Amount |                    |
|--|----------------|-----------------|-----------------|-----------------|------------------|--------------------|------------------------------|----------------------|---------------------|--------------|-----------------|--------------------|
|  | Land           | Buildings       | Infrastructure  |                 |                  | Community          |                              | Other Assets         |                     |              |                 |                    |
|  |                |                 | Roads           | Stormwater      | Electricity      | Outdoor Facilities | Cemeteries/ Halls/ Libraries | Furniture & Fittings | Machinery Equipment | Transport    |                 | Computer Equipment |
| Carrying amount as at 01 July 2020                 | 174 884 899.77 | 45 151 133      | 107 283 117     | 15 280 553      | 20 785 119       | 81 664 381         | 80 091 236                   | 127 509              | 1 164 107           | 3 823 680    | 821 241         | 501 037 676        |
| Cost/Revaluation                                   | 174 984 266.77 | 66 223 301      | 669 479 336     | 38 106 864      | 178 024 532      | 85 363 866         | 127 650 418                  | 4 132 143            | 8 860 519           | 4 037 474    | 8 643 255       | 1 364 161 630      |
| Accumulated depreciation and impairment losses     | -              | (21 072 168)    | (59 196 219)    | (22 826 311)    | (157 239 413)    | (17 284 596)       | (39 347 563)                 | (4 030 675)          | (7 784 949)         | (413 794)    | (5 102 060)     | (82 787 816)       |
| <b>Movements for the period ended 30 JUNE 2021</b> |                |                 |                 |                 |                  |                    |                              |                      |                     |              |                 |                    |
| <b>Movements for the year</b>                      |                |                 |                 |                 |                  |                    |                              |                      |                     |              |                 |                    |
| Acquisitions/ Additions                            |                |                 |                 |                 | 4 454 711        |                    |                              |                      |                     |              |                 | 5 380 689          |
| Completed Project (C/C)                            |                |                 | 3 656 057       |                 |                  | 17 843 923         | 13 455 169 48                |                      |                     |              | 619 020         | 17 312 148         |
| Capital Under Construction                         |                |                 |                 |                 |                  | (1 240 000)        | (5 904 570)                  | (32 441)             | (298 578)           | (73 239)     | (403 187)       | (31 285 922)       |
| Depreciation for the year                          |                | (2 163 822)     | (18 842 518)    | (1 528 181)     | (2 573 300)      | (1 683 336)        | (4 944 870)                  | (46 303)             | (313 403)           | (403 747)    | (378 184)       | (27 276 517)       |
| Carrying amount as at 30 JUNE 2021                 | 174 984 266.77 | 43 987 310.99   | 91 997 556.25   | 13 731 362.05   | 22 676 526.00    | 68 299 002.00      | 89 811 896.84                | 95 468.49            | 1 181 570.00        | 3 350 444.98 | 1 112 083.87    | 510 168 091.56     |
| Cost/Revaluation                                   | 174 984 266.77 | 66 223 300.99   | 669 479 335.03  | 38 106 864.08   | 178 024 532.00   | 85 363 866.00      | 127 650 418.46               | 4 132 143.49         | 8 860 519.00        | 4 037 473.59 | 8 643 255.57    | 1 364 161 630      |
| Accumulated depreciation and impairment losses     | -              | (22 236 000.00) | (77 481 778.78) | (24 375 520.00) | (155 358 006.00) | (17 284 596.00)    | (39 347 563.00)              | (4 030 673.01)       | (7 784 949.00)      | (467 029.00) | (6 931 162.00)  | (84 653 738)       |



|                           | 2022   | 2021   |
|---------------------------|--------|--------|
| <b>6.1 Heritage asset</b> |        |        |
| Opening balance           | 10 501 | 10 501 |
| Closing balance           | 10 501 | 10 501 |

|  | 2022              | 2021              |
|--|-------------------|-------------------|
| <b>7 INVESTMENT PROPERTY</b>           |                   |                   |
| Carrying amount beginning of the year  | 16 921 000        | 16 921 000        |
| Fair value adjustment                  |                   |                   |
| <b>Carrying amount end of the year</b> | <b>16 921 000</b> | <b>16 921 000</b> |

Investment property amount is the same as prior year since the last valuation roll including supplementary rolls were last updated in 2019

|                           | 2022         | 2021          |
|---------------------------|--------------|---------------|
| <b>8 Intangible asset</b> |              |               |
| Opening balance           | 17 130       | 28 998        |
| Cost                      | 232 727      | 232 741       |
| Accumulated amortisation  | -215 738     | -206 732      |
| Amortisation              | -8 416       | -8 965        |
| Closing balance           | <b>8 670</b> | <b>17 130</b> |
| Cost                      | 232 727      | 232 727       |
| Accumulated amortisation  | -224 157     | -215 597      |

Ulundi Local Municipality  
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

|   | Note | 2022<br>R             | 2021<br>R             |
|---|------|-----------------------|-----------------------|
| <b>9 Consumer Deposit</b>   |      |                       |                       |
| Electricity   |      | 2 740 992.38          | 2 728 957.82          |
| <b>10 TRADE AND OTHER PAYABLES</b>  |      |                       |                       |
| Trade creditors (Unpresented cheques)   |      | 20 839 841.43         | 17 755 306.74         |
| Bulk Purchase   |      | 131 962 116.89        | 99 670 951.80         |
| Workmans Compensation Fund  |      | 4 259 281.77          | 3 121 125.00          |
| Payments received in advance  |      | 2 186 537.86          | 3 119 511.28          |
| Land Sales  |      | 10 836 598.82         | 0 856 598.82          |
| Retention fees  |      | 3 393 506.36          | -                     |
| Other creditors   |      | 186 900.23            | 972 193.05            |
| <b>Total Trade Payables</b>   |      | <b>177 285 785.10</b> | <b>131 484 678.30</b> |
| <b>10.1 Provision:Leave</b>   |      |                       |                       |
| Opening Balance   |      | 14 202 893.00         | 14 305 604.50         |
| Increase  |      | 1 053 586.34          | 1 118 146.33          |
| Reduction   |      | -                     | -1 221 669.88         |
| <b>Total</b>  |      | <b>15 256 479.34</b>  | <b>14 202 080.95</b>  |
| <b>10.2 Provision:Bonus</b>   |      |                       |                       |
| Opening   |      | 1 010 010.00          | 1 010 010.00          |
| Change in Bonus   |      | -1 630.87             | -                     |
| <b>Total</b>  |      | <b>1 008 379.13</b>   | <b>1 010 010.00</b>   |
| <b>TOTAL TRADE AND OTHER PAYABLES</b>   |      | <b>181 528 443.68</b> | <b>146 667 381.61</b> |
| <b>11 LONG SERVICE LEAVE AWARDS</b>   |      |                       |                       |
| Opening balance   |      | 9 284 000.00          | 8 035 000.00          |
| Current service cost  |      | 762 000.00            | 697 000.00            |
| Interest cost   |      | 1 007 000.00          | 1 010 000.00          |
| Benefits paid   |      | 1 303 957.55          | 789 267.00            |
| Actuarial loss/(Gain)   |      | 115 957.55            | 331 267.00            |
|   |      | 9 285 000.00          | 9 284 000.00          |
| Short term liability  |      | 1 669 759.31          | 1 303 957.55          |
| Long term liability   |      | 8 195 240.69          | 7 980 042.45          |
| <b>Total</b>  |      | <b>9 865 000.00</b>   | <b>9 284 000.00</b>   |
| Benefits paid and Actuarial loss/(gain) amount differs from Actuarial report since the amount disclosed is actual benefits paid and the report shows 2022/2023 estimate |      |                       |                       |
| <b>12.1 ACCUMULATED SURPLUS</b>   |      |                       |                       |
| (Deficit)/Surplus for the year  |      | -18 678 914           | 51 256 064.85         |
| Other accumulated surplus   |      | 332 185 737           | 280 039 814.45        |
|   |      | <b>315 506 824</b>    | <b>331 095 979</b>    |
| <b>12.2 Reserves</b>  |      |                       |                       |
| Revaluation Reserves  |      | 122 732 313.12        | 122 732 313.00        |
| Investment property amount is the same as prior year since the last valuation roll including supplemental rolls were last updated in 2019                               |      |                       |                       |
| <b>13 PROPERTY RATES</b>  |      |                       |                       |
| Residential Properties  |      | 23 785 784.17         | 20 107 341.87         |
| Business and Commercial Properties  |      | 25 320 851.40         | 27 832 539.78         |
| Agricultural Property   |      | 5 223 414.26          | 4 694 595.50          |
| State owned Properties  |      | 54 935 659.41         | 59 718 967.77         |
| Rates rebates   |      | -10 218 781.20        | -10 922 435.58        |
| <b>Total property rates</b>   |      | <b>100 047 355.04</b> | <b>101 189 939.38</b> |

Ulundi Local Municipality  
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

|  | Note | 2022<br>R             | 2021<br>R             |
|--|------|-----------------------|-----------------------|
| <b>14 SERVICE CHARGES</b>                        |      |                       |                       |
| <b>ELECTRICITY</b>                               |      |                       |                       |
| Electricity Consumption                          |      | 83 430 755.98         | 82 450 838.44         |
| Total  |      | 83 430 755.98         | 82 450 838.44         |
| <b>Waste Management</b>                          |      |                       |                       |
| Consumption Waste management                     |      | 15 225 158.83         | 10 348 203.04         |
| Less rebates on refuse                           |      | -1 825 881.40         | -1 678 091.44         |
| Total  |      | 11 399 277.43         | 8 670 111.60          |
| <b>Total Service Charges</b>                     |      | <b>74 830 223.39</b>  | <b>71 248 350.04</b>  |
| <b>15 RENTAL OF FACILITIES AND EQUIPMENT</b>     |      |                       |                       |
| Market related                                   |      | 508 857.51            | 368 617.18            |
| Non-market related                               |      | 422 870.88            | 548 871.10            |
| Total rentals                                    |      | 1 932 528.79          | 817 488.27            |
| <b>16 INTEREST EARNED - EXTERNAL INVESTMENTS</b> |      |                       |                       |
| Short term investments and call accounts         |      | 508 007.61            | 508 112.10            |
| Total Interest                                   |      | 508 007.61            | 508 112.10            |
| <b>17 INTEREST FROM RECEIVABLES</b>              |      |                       |                       |
| Non-Exchange Receivables                         |      | 3 186 200.92          | 2 613 315.05          |
| Total Interest                                   |      | 3 186 200.92          | 2 613 315.05          |
| <b>18 FINES, PENALTIES AND FORFEITS</b>          |      |                       |                       |
| Fines  |      |                       |                       |
| Forfeits   | 18.1 | 65 495.00             | -                     |
| Total FINES, PENALTIES AND FORFEITS              | 18.2 | 71 005.01             | 56 045.56             |
|  |      | 187 307.21            | 56 045.56             |
| <b>18.1 Fines</b>                                |      |                       |                       |
| Traffic Fines                                    |      |                       |                       |
| Municipal Fines                                  |      | 56 495.00             | -                     |
| <b>18.2 Penalties and Forfeits</b>               |      |                       |                       |
| Illegal connections                              |      | 30 362.00             | 56 045.56             |
| Library overdue books forfeits                   |      | 40 643.01             | -                     |
| Total Fines                                      |      | 71 005.01             | 56 045.56             |
| <b>19 LICENCES AND PERMITS</b>                   |      |                       |                       |
| Agency fees                                      |      | 2 022 818.00          | 2 556 000.00          |
| Licences & Permits                               |      | 17 043.33             | 79 473.16             |
| Total  |      | 2 039 861.33          | 2 635 473.16          |
| <b>20 TRANSFERS AND SUBSIDIES</b>                |      |                       |                       |
| <b>20.1 Operational</b>                          |      |                       |                       |
| Monetary Allocations                             |      | 192 787 983.61        | 222 144 000.00        |
| <b>20.2 Capital</b>                              |      |                       |                       |
| Monetary Allocations                             |      | 52 468 000.00         | 45 336 000.00         |
| <b>Total Government Grant and Subsidies</b>      |      | <b>245 276 983.61</b> | <b>267 480 000.00</b> |
| <b>20.3 Monetary Allocations : Operational</b>   |      |                       |                       |
| National Government                              |      |                       |                       |
| Equitable share                                  |      | 180 263 000.00        | 205 588 000.00        |
| Integrated National Electrification Programme    |      |                       |                       |
| Allocation received                              |      | 5 004 982.14          | 10 000 000.00         |
| Amount spent                                     |      | -5 004 982.14         | -10 000 000.00        |
| Balance  |      | -                     | -                     |
| Finance Management Grant                         |      |                       |                       |
| Allocation received                              |      | 1 950 000.00          | 1 800 000.00          |
| Amount spent                                     |      | -1 850 000.00         | -1 800 000.00         |
| Balance  |      | -                     | -                     |
| Expanded Public Works Programme                  |      |                       |                       |
| Allocation received                              |      | 3 660 000.00          | 2 540 000.00          |
| Amount spent                                     |      | -3 660 000.00         | -2 940 000.00         |
| Balance  |      | -                     | -                     |
| <b>Provincial Government</b>                     |      | <b>190 877 982.14</b> | <b>220 328 000.00</b> |
| Promotionalisation of Libraries                  |      |                       |                       |
| Allocation received                              |      | 935 000.00            | 1 178 000.00          |
| Amount spent                                     |      | -835 000.00           | -1 178 000.00         |
| Balance  |      | -                     | -                     |

**Ulundi Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022**

|   | note | 2022<br>R             | 2021<br>R             |
|---|------|-----------------------|-----------------------|
| Continuity Library  |      |                       |                       |
| Allocation received   |      | 975,000.00            | 837,000.00            |
| Amount spent  |      | (975,000.00)          | (837,000.00)          |
| Balance   |      |                       |                       |
|   |      | 1,810,000.00          | 1,816,000.00          |
| <b>Total</b>  |      | <b>192,787,982.14</b> | <b>222,144,000.00</b> |
| <b>20.4 Monetary Allocations : Municipal Infrastructure Grant</b> |      |                       |                       |
| Allocation received   |      | 52,489,000.00         | 45,336,000.00         |
| Amount spent  |      | (52,489,000.00)       | (45,336,000.00)       |
| Balance   |      |                       |                       |
| <b>21 OPERATIONAL REVENUE</b>                                     |      |                       |                       |
| Administrative Handling Fees                                      |      |                       | 446.98                |
| Transaction Handling Fees   |      | 1,997,205.60          | 1,650,939.65          |
| Membership fees -Library  |      | 2,087.90              |                       |
| Incidental Cash Surplus   |      |                       | 12,974.36             |
| Staff Recoveries  |      | 117,696.95            | 190,368.82            |
| Building Plan Approval  |      | 339,154.04            | 168,438.85            |
| Busary repayment  |      | 2,793.00              |                       |
| Surplus cash  |      | 52,851.70             |                       |
| Certery and Burial  |      |                       | 100,805.67            |
| Clearance Certificate   |      | 279,086.15            | 193,574.39            |
| Photocopies and Faxes   |      | 15,889.68             | 23,516.58             |
| Temporary Connection Fee  |      |                       | 9,382.68              |
| Greening award  |      | 100,000.00            | 375,000.00            |
| <b>Total</b>  |      | <b>2,909,564.02</b>   | <b>2,894,947.28</b>   |
| <b>22 Employees Related Costs</b>                                 |      |                       |                       |
| <b>22.1 Municipal Staff costs</b>                                 |      |                       |                       |
| <b>22.2 Senior managers</b>                                       |      |                       |                       |
| <b>Total</b>  |      | <b>148,207,822.81</b> | <b>140,064,791.50</b> |
| <b>22.1 Municipal Staff costs</b>                                 |      |                       |                       |
| Basic Salary  |      | 97,785,883.50         | 91,283,277.03         |
| Bonus   |      | 7,078,688.72          | 7,275,695.79          |
| Service Related Benefits  |      | 2,751,532.83          | 2,202,445.95          |
| Allowances  |      | 8,604,357.32          | 9,302,858.64          |
| Bargain Council   |      | 38,108.80             | 36,038.00             |
| Pension   |      | 23,282,857.52         | 21,089,067.40         |
| Unemployment Insurance Fund                                       |      | 650,286.81            | 659,411.98            |
| Medical   |      | 8,840,627.52          | 8,346,968.71          |
| <b>Total</b>  |      | <b>149,207,822.81</b> | <b>140,064,791.50</b> |
| <b>22.2 Senior managers</b>                                       |      |                       |                       |
| <b>Remuneration of the Municipal Manager</b>                      |      |                       |                       |
| Basic Salary  |      | 894,553.62            | 1,100,271.32          |
| Allowances  |      | 118,973.39            | 175,974.60            |
| Acting allowances   |      | 104,344.28            |                       |
| Bargain Council   |      |                       | 118.80                |
| Unemployment Insurance Fund                                       |      | 1,384.08              | 1,784.64              |
| <b>Total</b>  |      | <b>1,119,465.37</b>   | <b>1,476,109.36</b>   |
| <b>Remuneration of the Chief Finance Officer</b>                  |      |                       |                       |
| Basic Salary  |      | 808,041.36            | 808,041.36            |
| Allowances  |      | 144,287.04            | 144,287.04            |
| Bargain Council   |      |                       | 118.80                |
| Unemployment Insurance Fund                                       |      | 2,128.24              | 1,784.64              |
| <b>Total</b>  |      | <b>954,453.84</b>     | <b>954,231.84</b>     |
| <b>Remuneration of the Director Corporate Services</b>            |      |                       |                       |
| Basic Salary  |      | 727,854.56            | 808,041.36            |
| Allowances  |      | 132,263.12            | 144,287.04            |
| Bargain Council   |      |                       | 118.80                |
| Unemployment Insurance Fund                                       |      | 1,118.90              | 1,784.64              |
| <b>Total</b>  |      | <b>861,235.58</b>     | <b>954,231.84</b>     |

**Ulundi Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022**

|   | Note | 2022                    |                   | 2021                    |                          |
|---|------|-------------------------|-------------------|-------------------------|--------------------------|
|   |      | R                       | R                 | R                       | R                        |
| Remuneration of Individual Executive Directors                            |      | Technical Services<br>R | Planning &        | Community Services<br>R | Protection Services<br>R |
|   | 2022 |                         |                   |                         |                          |
| Basic Salary  |      | 808 041.36              | 808 041.36        | 808 041.36              | 404 020.88               |
| Allowances  |      | 144,287.04              | 144,287.04        | 144,287.04              | 72,143.52                |
| Bargain Council   |      |                         |                   |                         |                          |
| Unemployment Insurance Fund   |      | 2,126.44                | 2,126.44          | 2,126.44                | 1,062.72                 |
| <b>Total</b>  |      | <b>954,453.84</b>       | <b>954,453.84</b> | <b>954,453.84</b>       | <b>477,229.92</b>        |
|   | 2021 |                         |                   |                         |                          |
| Basic Salary  |      | 808 041.36              | 808 041.36        | 808 041.36              | 808 041.36               |
| Allowances  |      | 144,287.04              | 144,287.04        | 144,287.04              | 144,287.04               |
| Bargain Council   |      | 118.80                  | 118.80            | 118.80                  | 118.80                   |
| Unemployment Insurance Fund   |      | 1,784.64                | 1,784.64          | 1,784.64                | 1,784.64                 |
| <b>Total</b>  |      | <b>954,232</b>          | <b>954,232</b>    | <b>954,232</b>          | <b>954,232</b>           |
| <b>23 REMUNERATION OF COUNCILLORS</b>                                     |      |                         |                   | <b>2022</b>             | <b>2021</b>              |
| <b>23.1 Executive Mayor</b>   |      |                         |                   |                         |                          |
| Basic Salary  |      |                         |                   | 546 403.68              | 546 403.68               |
| Cell Phone Allowance  |      |                         |                   | 44 400.00               | 44 400.00                |
| Travelling Allowance  |      |                         |                   | 215 214.72              | 215 214.72               |
| Medical Aid Benefits  |      |                         |                   | 17 280.00               | 17 280.00                |
| Pension Fund Contribution   |      |                         |                   | 81 960.60               | 81 960.60                |
| <b>Total</b>  |      |                         |                   | <b>905 259.00</b>       | <b>905 259.00</b>        |
| <b>23.2 Deputy Executive Mayor</b>  |      |                         |                   |                         |                          |
| Basic Salary  |      |                         |                   | 434 118.24              | 434 118.24               |
| Cell Phone Allowance  |      |                         |                   | 44 400.00               | 44 400.00                |
| Travelling Allowance  |      |                         |                   | 172 172.04              | 172 172.04               |
| Medical Aid Benefits  |      |                         |                   | 17 280.00               | 17 280.00                |
| Pension Fund Contribution   |      |                         |                   | 83 117.76               | 83 117.76                |
| <b>Total</b>  |      |                         |                   | <b>730 088.04</b>       | <b>730 088.04</b>        |
| <b>23.3 Speaker</b>   |      |                         |                   |                         |                          |
| Basic Salary  |      |                         |                   | 433 977.32              | 434 118.24               |
| Cell Phone Allowance  |      |                         |                   | 59 200.00               | 44 400.00                |
| Travelling Allowance  |      |                         |                   | 185 672.43              | 172 172.04               |
| Medical Aid Benefits  |      |                         |                   | 23 040.00               | 17 280.00                |
| Pension Fund Contribution   |      |                         |                   | 68 007.49               | 83 117.76                |
| <b>Total</b>  |      |                         |                   | <b>810 897.20</b>       | <b>733 088.04</b>        |
| <b>23.4 Chief Whip</b>  |      |                         |                   |                         |                          |
| Basic Salary  |      |                         |                   | 286 544.92              | 215 062.36               |
| Cell Phone Allowance  |      |                         |                   | 51 800.00               | 44 400.00                |
| Travelling Allowance  |      |                         |                   | 109 378.28              | 90 048.24                |
| Medical Aid Benefits  |      |                         |                   | 15 840.00               | 17 280.00                |
| Pension Fund Contribution   |      |                         |                   | 41 227.99               | 32 349.60                |
| <b>Total</b>  |      |                         |                   | <b>504 991.19</b>       | <b>403 960.20</b>        |
| <b>23.5 MPAC Chairperson</b>  |      |                         |                   |                         |                          |
| Basic Salary  |      |                         |                   | 304 875.64              | 212 085.60               |
| Cell Phone Allowance  |      |                         |                   | 55 900.00               | 44 400.00                |
| Travelling Allowance  |      |                         |                   | 110 138.89              | 67 404.52                |
| Medical Aid Benefits  |      |                         |                   | 21 600.00               | 17 280.00                |
| Pension Fund Contribution   |      |                         |                   | 40 279.64               | 31 847.84                |
| <b>Total</b>  |      |                         |                   | <b>532 894.17</b>       | <b>383 017.96</b>        |
| <b>23.6 Executive Committee Members</b>                                   |      |                         |                   |                         |                          |
| Basic Salary  |      |                         |                   | 1,439 871.87            | 1,599 176.52             |
| Cell Phone Allowance  |      |                         |                   | 255 900.00              | 310 800.00               |
| Travelling Allowance  |      |                         |                   | 589 309.34              | 630 337.68               |
| Medical Aid Benefits  |      |                         |                   | 98 360.00               | 120 960.00               |
| Pension Fund Contribution   |      |                         |                   | 189 083.30              | 230 876.52               |
| <b>Total</b>  |      |                         |                   | <b>2,492 524.51</b>     | <b>2,832 150.72</b>      |
| <b>23.7 All Other Councillors Allowances and Service Related Benefits</b> |      |                         |                   |                         |                          |
| Basic Salary  |      |                         |                   | 5 906 042.96            | 6 374 432.47             |
| Cell Phone Allowance  |      |                         |                   | 1 423 020.00            | 1 550 300.00             |
| Travelling Allowance  |      |                         |                   | 2 182 847.30            | 2 281 302.66             |
| Medical Aid Benefits  |      |                         |                   | 555 284.00              | 241 972.20               |
| Pension Fund Contribution   |      |                         |                   | 783 951.79              | 663 292.83               |
| <b>Total</b>  |      |                         |                   | <b>10 851 148.05</b>    | <b>11 091 440.16</b>     |
| <b>Total Councillors' Remuneration</b>                                    |      |                         |                   | <b>16,834,677</b>       | <b>17,093,094</b>        |
| <b>24 DEPRECIATION, AMORTISATION AND IMPAIRMENT</b>                       |      |                         |                   |                         |                          |
| <b>24.1 AMORTISATION</b>  |      |                         |                   | <b>2022</b>             | <b>2021</b>              |
| Intangible assets   | 8    |                         |                   | 8 418.75                | 8 865.00                 |
| <b>24.2 DEPRECIATION</b>  |      |                         |                   |                         |                          |
| Property, Plant and Equipment   | 6    |                         |                   | 27 276 496.90           | -31 285 822.37           |
| <b>Total Depreciation and Amortisation</b>                                |      |                         |                   | <b>27 284 915.65</b>    | <b>-31 285 057.37</b>    |
| <b>25 FINANCE COST</b>  |      |                         |                   |                         |                          |
| Interest on overdue   |      |                         |                   | 18 592.42               | 1 442 894.10             |
| <b>Total Finance Costs</b>  |      |                         |                   | <b>18 592.42</b>        | <b>1 442 894.10</b>      |
| <b>26 BULK PURCHASES</b>  |      |                         |                   |                         |                          |
| Electricity   |      |                         |                   | 113 844 451.02          | 92 487 398.87            |
| <b>Total Bulk Purchases</b>   |      |                         |                   | <b>113 844 451.02</b>   | <b>92 487 398.87</b>     |
| <b>27 CONTRACTED SERVICES</b>   |      |                         |                   |                         |                          |
| Consultants and Professional services                                     | 27.1 |                         |                   | 3,827 079.31            | 3 733 537.71             |
| Contractors   | 27.2 |                         |                   | 54 502 290.24           | 28,902,547.58            |
| Outsourced Services   | 27.3 |                         |                   | 26 182 486.48           | 26 613 845.38            |
| <b>Total Contracted services</b>  |      |                         |                   | <b>84 511,856.03</b>    | <b>59,249,930.67</b>     |

**Ulundi Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022**

| Note   | 2022<br>R            | 2021<br>R            |
|--|----------------------|----------------------|
| <b>27.1 Consultants and Professional services</b>  |                      |                      |
| <b>Engineering Services</b>  |                      |                      |
| Electrical   | 1 915 476.67         | 1 555 048.35         |
| <b>Total: Engineering Services</b>   | <b>1 915 476.67</b>  | <b>1 555 048.35</b>  |
| <b>Infrastructure and Planning Services</b>  |                      |                      |
| Land and Quantity surveyors  | 313 890.93           | 508 530.00           |
| Town planner   | 405 910.00           | 138 020.86           |
| <b>Total: Infrastructure and Planning Services</b>   | <b>722 800.93</b>    | <b>646 540.86</b>    |
| <b>Legal Services</b>  |                      |                      |
| Legal advice and litigation  | 1 188 801.71         | 1 531 950.50         |
| <b>Total: Legal advice and litigation</b>  | <b>1 188 801.71</b>  | <b>1 531 950.50</b>  |
| <b>Total: Consultants and Professional services</b>  | <b>3,827,079.31</b>  | <b>3,733,537.71</b>  |
| <b>27.2 Contractors</b>  |                      |                      |
| <b>General services</b>  |                      |                      |
| Buildings  |                      |                      |
| Audio visual services  | 1,453 229.52         | 1,586,509.50         |
| Catering services  | 26 473.67            |                      |
| Medical examination  |                      | 1 000.00             |
| Traffic and streets light  | 131 400.00           | 202 754.30           |
| <b>Total General services</b>  | <b>1,611 103.19</b>  | <b>1,790 274.00</b>  |
| <b>Maintenance services</b>  |                      |                      |
| Maintenance of equipment   | 582 531.22           | 182 825.00           |
| Maintenance of unspecified assets  | 52 308 655.83        | 26 949 448.58        |
| <b>Total Maintenance services</b>  | <b>52 891 187.05</b> | <b>27 132 273.58</b> |
| <b>Total Contractors</b>   | <b>54 502 290.24</b> | <b>28 902 547.58</b> |
| <b>27.3 Outsourced Services</b>  |                      |                      |
| <b>Business and Advisory Services</b>  |                      |                      |
| Commission and Committees  | 131 038.00           | 41 484.00            |
| Project management   | 1 551 618.65         | 1 502 266.26         |
| Research and advisory  | 607 386.00           | 1 771 429.00         |
| Valuer   | 145 614.14           | 168 971.35           |
| <b>Total Business and advisory services</b>  | <b>2,435 656.79</b>  | <b>3,893 150.61</b>  |
| <b>General Services</b>  |                      |                      |
| Administrative and support staff   | 2,651 678.67         |                      |
| Burial services  | 1,398 481.30         | 924 093.06           |
| Cleaning and grass cutting service   | 50 130.43            | 760 522.88           |
| Catering Services  |                      | 268 588.37           |
| Hygiene services   | 55 887.51            |                      |
| LED Items  | 2 156 000.00         |                      |
| Refuse removal   | 6 923 325.00         | 6 834 748.15         |
| Security services  | 4 331 819.20         | 4 148 419.20         |
| <b>Total general services</b>  | <b>17,573 302.11</b> | <b>12,936 369.54</b> |
| <b>Trading services</b>  |                      |                      |
| Technical  | 5 970 442.68         | 10 174 225.37        |
| <b>Total Trading services</b>  | <b>5 970 442.68</b>  | <b>10 174 225.37</b> |
| <b>Total outsources services</b>   | <b>28 182 486.48</b> | <b>26 613 845.38</b> |
| <b>28 Operational Costs</b>  |                      |                      |
| Corporate and municipal activities   |                      |                      |
| Gifts and promotional items  | 100,000.00           |                      |
| Bank accounts  | 153,431.30           | 375 834.12           |
| Commissions  |                      | 640 727.20           |
| Bursaries - employees  | 143,780.00           |                      |
| Radio and TV Transmission  | 3,385,787.29         | 3,087 905.71         |
| Telephone, Fax, Telegraph and telex  | 814,479.85           | 889 667.31           |
| Courier and deliver services   | 247 821.14           | 168 599.30           |
| Drivers licences and permits   |                      | 352 748.00           |
| Audit fees : External  | 2,835 798.20         | 2,821 085.90         |
| System access & information  | 3 026.32             | 3,108,152.96         |
| System advisor   | 1 534 787.58         |                      |
| System software and licences   | 1 919,086.98         |                      |
| Rental   | 151 757.88           |                      |
| Street lights  | 305 219.61           |                      |
| Hire charges   | 464 311.49           | 698 132.99           |
| Premiums   | 1,887,544.71         | 1,401 881.05         |
| Pollution control  |                      | 356 340.00           |
| Learnership & Internships  | 1,455,138.70         | 1,489 826.07         |
| Municipal services   |                      | 289 575.06           |
| Printing, Publications and Books   | 543,173.49           | 440 829.34           |
| Seminars, Conferences, Workshops and events  | 14 688.96            | 59 438.76            |
| Remuneration to ward committees  | 1,854,000.00         | 2,775,000.00         |
| Sitting allowance for traditional leaders  | 6,400.00             | 30,400.00            |
| Skills Development Fund levy   | 1 096 796.17         | 912 513.97           |
| Transmit assets  | 7 506 714.88         | 8,302 372.76         |
| Toll gate fees   |                      | 59.39                |
| Accommodation  | 570,142.37           | 33,225.44            |
| Food and Beverages   | 19 678.91            | 2,830.00             |
| Air Transport  | 75,371.83            |                      |
| Own Transport  | 2 412.56             |                      |
| Uniform and Protective clothing  | 183,096.53           | 847 736.50           |
| Wet Fuel   | 3,432,897.24         | 1,716 807.02         |
| Workman's compensation   | 1,337,156.49         |                      |
| Water charges  | 7 983.22             |                      |
| <b>Total Operational Costs</b>   | <b>32,415,124.20</b> | <b>30,610,742.07</b> |
| <b>29 Inventory Consumed</b>   |                      |                      |
| Consumables  | 4 785 062.89         | 11 438 751.31        |
| <b>Total Inventory Consumed</b>  | <b>4 785 062.89</b>  | <b>11 438 751.31</b> |
| <b>30 Transfers &amp; subsidies</b>  |                      |                      |
| Grant in Aid   |                      | 922 675.83           |
| <b>Total Transfers &amp; subsidies</b>   |                      | <b>922 675.83</b>    |
| <b>31.1 GAIN / (LOSS)</b>  |                      |                      |
| Loss on sale of land   |                      |                      |
| Actuarial gain/(loss)  | 115,957.55           | -331,266.00          |
| Gain on sale of land   |                      |                      |
| <b>Total Gain / (Loss)</b>   | <b>115,957.55</b>    | <b>-331,266.00</b>   |
| Benefits paid and Actuarial loss/(gain) amount differs from Actuarial report, since the amount disclosed is actual benefits paid and the report shows 2022/2023 estimate |                      |                      |

**Ulundi Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022**

|  | Note     | 2022<br>R                     | 2021<br>R            |
|--|----------|-------------------------------|----------------------|
| <b>32 CASH GENERATED BY OPERATIONS</b>   |          |                               |                      |
| Surplus/(deficit) for the year   |          | -10,676,914                   | 51,056,084.00        |
| Depreciation and impairment  |          | 27,284,916                    | 31,365,872.00        |
| Increase/(decrease) in provision for annual leave and bonus  |          | 1,051,996                     | 1,146,088.00         |
| Increase in provision for long service leave   |          | 581,000                       |                      |
| Contribution to provisions - current   |          | 9,456,571                     | 5,630,985.00         |
| Finance costs  |          | 18,582                        | 1,442,694.19         |
| Interest earned  |          | -648,008                      | -308,112.00          |
| <b>Operating surplus before working capital changes:</b>   |          | <b>21,068,113.47</b>          | <b>90,133,591.74</b> |
| Increase/(decrease) in inventories   |          | -893,350                      | 1,318,769.00         |
| Increase/(decrease) in other receivables   |          | 594,321                       | -13,189,905.77       |
| Increase/(decrease) in trade payables  |          | 45,809,243                    | 4,270,149.97         |
| Increase/(decrease) in receivables from exchange transactions  |          | -8,166,652                    | -37,050,584.00       |
| Increase/(decrease) in receivables from non-exchange transactions  |          | -16,062,156                   |                      |
| Cash generated by/(utilised in) operations   |          | <b>42,348,924.00</b>          | <b>45,642,020.94</b> |
| <b>33 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL</b>  |          |                               |                      |
| <b>33.1 Fruitless and wasteful expenditure</b>   |          |                               |                      |
| Reconciliation of fruitless and wasteful expenditure   |          |                               |                      |
| Opening balance -  |          |                               |                      |
| Fruitless incurred during the year   |          | 18,545.44                     |                      |
| Less: Irregular expenditure written off - Prior year year  |          | -18,545.44                    |                      |
| In line with the National Treasury MFMA Circular No. 99 annexure (MFMA circular annexure), which was issued with the goal to relax some provisions in the MFMA that would have undermined efforts to social distance due to COVID 19. The municipalities are allowed an exemption to not disclose fruitless and wasteful expenditure if the interest was levied by 3 <sup>rd</sup> parties on outstanding invoices as a result of not making payments within 30 days, this exemption is only allowed for the period between 1 July 2021 to 30 June 2022. |          |                               |                      |
|  |          | 0.00                          |                      |
| <b>33.2 Irregular expenditure and Deviations</b>   |          |                               |                      |
| <b>33.2.1 Irregular expenditure</b>  |          |                               |                      |
| Reconciliation of irregular expenditure  |          |                               |                      |
| Opening balance  |          |                               |                      |
| Irregular expenditure - current year   |          | 16,158,316.05                 | 1,088,752.42         |
| Less: Irregular expenditure written off - Current year   |          | -33,109,254.10                | -44,197,040.63       |
| Less: Irregular expenditure written off - Prior year year  |          | -48,254,344.05                | -29,117,478.00       |
| Closing balance  |          | <b>1,015,235.10</b>           | <b>16,158,316.05</b> |
| <b>33.2.2 Deviations</b>   |          |                               |                      |
| Current year   |          |                               | 1,878,203.84         |
| Condoned by Council  |          |                               | -1,878,203.84        |
| Closing Balance  |          |                               |                      |
| Reg 38 of MFMA: Supply Chain Management Regulations  |          |                               |                      |
| The items mentioned resulted from the COVID 19 pandemic that had to be addressed at short notice and the response times did not allow for the complete procurement process to be followed (emergency procurement).   |          |                               |                      |
| <b>34 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE</b>   |          |                               |                      |
| <b>34.1 Audit fees</b>   |          |                               |                      |
| Opening balance  |          |                               |                      |
| Current year audit fee   |          | 2,835,798.20                  | 2,621,065.50         |
| Amount paid - current year   |          | -2,835,798.20                 | -2,621,065.50        |
| Balance unpaid (included in payables)  |          |                               |                      |
| <b>34.2 Councillor's arrear consumer accounts</b>  |          |                               |                      |
| The following Councillors had arrear accounts outstanding  | Total    | Outstanding less than 90 days | Outstanding more     |
| as at 30 JUNE 2022   |          | as at 30 JUNE 2021            |                      |
| Clr. IG Madela   | 729.96   | Clr. TG Madela                | 660.33               |
| Clr AL Mgabhi  | 1,350.75 | Clr. NJ Manana                | 1,135.62             |
|  |          | Clr RV Sibiya                 | 1,890.80             |
| <b>34.3 CAPITAL COMMITMENTS</b>  |          | 2022                          | 2021                 |
| <b>Commitments in respect of capital expenditure</b>   |          |                               |                      |
| Community Assets committed and contracted for  |          | 57,724,308.46                 | 30,832,800.00        |
| Commitments not yet contracted for   |          | 40,064,340.54                 |                      |
| <b>Approved and contracted for</b>   |          | <b>57,724,308.46</b>          | <b>30,832,800.00</b> |
| <b>34.4 Operating commitment</b>   |          |                               |                      |
| Commitments  |          | 32,273,226.08                 | 45,954,486.81        |
|  |          | <b>32,273,226.08</b>          | <b>45,954,486.81</b> |
| <b>34.5 PENSION FUND INFORMATION</b>   |          |                               |                      |
| <b>34.5.1 Defined contribution plan</b>  |          |                               |                      |
| Certain Councillors and Certain employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last statutory actuarial valuation was performed as at 31 March 2015. The Actuary advised that the fund is 80.6% funded. The surcharge has been increased from 17% to 17.5% and the repayment period be extended from 5 to 8 years, at which time the deficit is expected to be fully funded.   |          |                               |                      |

| Ulundi Local Municipality   |   |                       |                       |
|---|---|-----------------------|-----------------------|
| NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022 |   |                       |                       |
|   | Note  | 2022                  | 2021                  |
|   |   | R                     | R                     |
| <b>34.5.2</b>   | <b>SUPERANNUATION FUND</b>  |                       |                       |
|   | The Actuary advised that the valuation disclosed that, for the fund overall, the liabilities for service to the valuation date were 96% funded. The actuarial valuation disclosed that the fund was in deficit. A surcharge of 9.5% of pensionable salaries has been imposed for 8 years from 1 March 2014 to meet the deficit. |                       |                       |
|   | The actuary has recommended the following:  |                       |                       |
|   | It is recommended that the local authorities continue to pay the current contribution rate of 21.83% of pensionable salaries to be reviewed as at 31 March 2013   |                       |                       |
| <b>34.5.3</b>   | <b>Provident Fund</b>   |                       |                       |
|   | The actuary is satisfied that the fund was in a sound financial condition as at 31 March 2012.  |                       |                       |
|   | Certain Councilors and employees belong to defined benefit retirement   |                       |                       |
| <b>35</b>   | <b>CONTINGENCIES</b>  |                       |                       |
| <b>35.1</b>   | <b>CONTINGENT LIABILITY</b>   |                       |                       |
|   | Claim for damages   |                       |                       |
|   | The following matters are currently on the roll of the high court and as Ideal Prepaid VS Ulundi Municipality   | 21,000,000.00         | 21,000,000.00         |
|   | Union Form  | 150,000.00            | 150,000.00            |
|   | Telkom SA vs Ulundi   | 250,000.00            |                       |
|   | Pinky Chizwa vs Ulundi Municipality and Minister of Police  |                       |                       |
|   |   | <b>21,400,000.00</b>  | <b>21,150,000.00</b>  |
| <b>35.2</b>   | <b>CONTINGENT ASSETS</b>  |                       |                       |
|   | Ulundi vs Sangweni  | 2,500,000.00          | 2,500,000.00          |
|   | Ulundi vs Ingonyama Trust Board   | 14,000,000.00         | 14,000,000.00         |
|   | Ulundi vs Mpungose Traditional Council  | 400,000.00            | 400,000.00            |
|   | Ideal Prepaid VS Ulundi Municipality  | 65,000,000.00         | 65,000,000.00         |
|   | Ondini High school vs Ulundi municipality   | 80,000.00             | 80,000.00             |
|   | National Department of Public works vs Ulundi Municipality  | 5,000,000.00          | 5,000,000.00          |
|   | R & G Group of Consultants vs Ulundi Municipality   | 400,000.00            | 400,000.00            |
|   |   | <b>87,380,000.00</b>  | <b>87,380,000.00</b>  |
|   | <b>TOTAL</b>  | <b>108,780,000.00</b> | <b>108,330,000.00</b> |
|   | <b>KEY SOURCES OF ESTIMATION UNCERTAINTY AND</b>  |                       |                       |
|   | No areas have involved a significant degree of estimation, uncertainty or judgements made by management in applying the municipalities accounting policies and that have a material and significant affect on the amounts recognised in the financial statements.   |                       |                       |



| Ujundi Local Municipality   |   |      |                        |                     |               |
|---|---|------|------------------------|---------------------|---------------|
| NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022 |   |      |                        |                     |               |
|   | Note  | 2022 | 2021                   |                     |               |
| <b>40</b>   | <b>Operating Lease</b>  |      |                        |                     |               |
|   | The municipality has leased its fleet for the duration of 36 months   |      | 2022                   | 2021                |               |
|   | No later than one year  |      | 7,174,362.87           | 4,587,562.38        |               |
|   | Later than one year and no later than five years  |      | 12,388,314.63          | 13,175,113.66       |               |
| <b>41</b>   | <b>Related parties</b>  |      |                        |                     |               |
|   | No transactions occurred with related parties that were not at arm's length or not in the ordinary course of business.  |      |                        |                     |               |
| <b>42</b>   | <b>Events after the reporting date</b>  |      |                        |                     |               |
|   | There were no events that occurred subsequent to 30 June that materially affected fair presentation of financial statements for the period ended 30 June 2022 |      |                        |                     |               |
| <b>42.1</b>   | <b>Prior period error</b>   |      | 2022                   | 2021                |               |
|   | Debits for hire charges incorrectly recorded under Sundry debtors instead of income vote during previous years  |      |                        |                     |               |
|   | Accumulated surplus   |      |                        | 331,433,511         |               |
|   | Sundry debtors overstated   |      |                        | -386,849            |               |
|   | Current liabilities understated   |      |                        | 29,318              |               |
|   | Receivables understated   |      |                        | 1,087,758           |               |
|   | <b>Total</b>  |      |                        | <b>332,183,737</b>  |               |
|   | Statement of Financial Position   | 2021 | As previously reported | Correction of error | Restated      |
|   | Other current assets - exchange   |      | 9,856,854              | -386,849            | 9,490,005     |
|   | Trade and other payables  |      | -131,385,265           | 29,318              | (131,355,947) |
|   | Trade and other receivables   |      | 8,994,414              | 1,087,758           | 10,082,172    |
|   | Accumulated surplus   |      | -331,433,511           | 750,228             | (332,183,737) |
| <b>42.3</b>   | <b>Reclassification</b>   |      |                        |                     |               |
|   | There were no classification during 2021/2022 financial year  |      | 2022                   | 2021                |               |