UMFOLOZI LOCAL MUNICIPALITY
(REGISTRATION NUMBER: KZN281)

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)

Appointed on the 9th of November 2021:

Executive Committee

Mayor	Cllr. X.M. Bhengu
Deputy Mayor	Cllr. N.N. Gumede
Speaker	Cllr. MM Mthiyane
Chief Whip	Cllr. C Makhunga
Committee Member	Cllr. B.T. Ntombela
Commitee Member	Cllr. T.M. Biyela
Commitee Member	Cllr. S.P. Mpanza

Councillors of Municipal Council

Councillor	G.M. Khumalo
Councillor	M.N. Nxumalo
Councillor	A.M. Mtshali
Councillor	J.M. Ngema
Councillor	T.Z. Mdhletshe
Councillor	S.G Mthethwa
Councillor	B.V Mhlongo
Councillor	P.M. Gumbi
Councillor	T. Ndimande
Councillor	N.S. Ngubane
Councillor	K.S.C Msweli
Councillor	N. Conco
Councillor	B.P. Sithole
Councillor	S.E. Sibiya
Councillor	M.E. Shobede
Councillor	B.S Bhengu
Councillor	R.L. Keyser
Councillor	M.B. Makhaza
Councillor	T.D. Ngwenya
Councillor	H.B. Hadebe
Councillor	T.N. Msweli
Councillor	N.B. Mkhwanazi
Councillor	S.R. Thabethe (Former deputy mayor)

General Information

Councillor	S.S Gazu
Councillor	S.M. Shabangu
Councillor	M. Shabalala
Councillor	A.S Msibi
Municipal Public Accounts Committee Chairperson	S.Z Mtetwa
Councillors terminated on 08 November 2021:	
	S Mgenge (Former mayor)
	Z.D Mfusi (Former speaker)
	N.T Mthiyane (Former Executive Committee Member)
	M.N Mlambo
	Z.G Mcineka
	S.M Nzama
	N.S Madonsela
	E.B.Z Mbhele
	S.M Mbuyazi
	Q.D Mkhize
	P.N Khayile
	B.M Mkhize (Former Executive Committee Member)
	S.T Khumalo (Former Executive Committee Member)
	S Mthethwa
	M.C Mkhize
	C.M Mkhwanazi
	S Mdamba
	K.S Zwane
	J.M Ndimande
	N.H Mkhize
	M.X Ndlovu
Grading of local authority	Grade 1
Accounting Officer	Mr L.S Jili
Chief Finance Officer (CFO)	Mr. Z.J Ndlovu
Registered office	25 Bredelia Street Kwa-Mbonambi 3915
Business address	25 Bredelia Street Kwa-Mbonambi 3915
Postal address	P.O Box 96 Kwa-Mbonambi 3915
Bankers	ABSA Bank Nedbank
Auditor	Auditor General of South Africa
Legal Representatives	Kloopers Incorporated

General Information

Telephone	(035) 580-1421
Email Address (Accounting Officer)	jilils@umfolozi.org.za

Index

The reports and statements set out below comprise the Annual Financial Statements presented to the provincial legislature:

	Page
Accounting Officer's Responsibilities and Approval	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 13
Accounting Policies	14 - 29
Notes to the Annual Financial Statements	30 - 71

The following supplementary information does not form part of the annual financial statements and is unaudited:

Appropriation Statement	72 - 76

Abbreviations :

MSIG	Municipal System Improvement Grant
PAYE	Pay As You Earn
UIF	Unemployment Insurance Fund
COVID-19	Coronavirus Disease 2019
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
ICT	Information and Communications Technology
VAT	Value Added Taxation
SALGA	South African Local Government Association

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

The annual financial statements set out on page, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2022 and signed by:

Mr L.S Jili
Accounting Officer

Statement of Financial Position as at 30 June 2022

Figures in Rand	Notes	2022	2021 Restated*
Assets			
Current Assets			
Receivables from Exchange transactions	3	1 630 143	1 196 873
Receivables from Non-Exchange Transactions	4	10 844 255	10 026 959
VAT receivable	5	6 038 112	7 976 042
Cash and cash equivalents	6	21 760 836	35 251 293
		40 273 346	**54 451 167**
Non-Current Assets			
Property, plant and equipment	7	388 161 785	366 476 272
Intangible assets	8	416 213	639 124
		388 577 998	**367 115 396**
Total Assets		**428 851 344**	**421 566 563**
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	15 413 584	11 245 046
Unspent conditional grants and receipts	10	1 030 296	5 612 670
Retentions	11	4 557 625	2 115 817
Other financial liabilities	12	1 008 799	966 530
		22 010 304	**19 940 063**
Non-Current Liabilities			
Retentions	11	149 627	1 225 584
Other financial liabilities	12	3 482 375	4 262 687
Employee benefit obligations	13	2 002 000	1 891 000
		5 634 002	**7 379 271**
Total Liabilities		**27 644 306**	**27 319 334**
Net Assets		**401 207 038**	**394 247 229**
Accumulated surplus		401 207 038	394 247 229
Total Net Assets		**401 207 038**	**394 247 229**

* See Note 42

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	15	666 705	597 603
Rental of facilities and equipment	16	777 059	905 390
Licences and permits	17	328 438	19 520
Expected returns on employee benefits	13	270 060	314 000
Operational revenue	18	314 141	456 140
Interest revenue	20	3 358 728	2 772 460
Total revenue from exchange transactions		**5 715 131**	**5 065 113**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	25 634 672	23 839 776
Transfer revenue			
Government grants & subsidies	22	204 152 375	225 657 962
Fines, Penalties and Forfeits	23	535 276	75 200
Donation income	24	1 010 143	-
Total revenue from non-exchange transactions		**231 332 466**	**249 572 938**
Total revenue	14	**237 047 597**	**254 638 051**
Expenditure			
Employee related costs	25	(74 057 652)	(71 569 819)
Remuneration of councillors	26	(12 197 381)	(11 227 222)
Depreciation and amortisation	27	(22 788 720)	(19 669 037)
Finance costs	29	(616 871)	(830 544)
Lease rentals on operating lease	30	(964 872)	(642 523)
Debt Impairment	31	(1 141 734)	(977 978)
Contracted services	32	(59 549 922)	(45 477 127)
Transfers and Subsidies	33	(822 847)	(1 085 875)
Operational costs	34	(47 581 679)	(29 958 888)
Total expenditure		**(219 721 678)**	**(181 439 013)**
Operating surplus	35	**17 325 919**	**73 199 038**
Loss on disposal of municipal assets		(87 122)	(42 818)
Actuarial gains/losses	13	31 940	(231 000)
Impairment loss	28	(10 310 927)	-
		(10 366 109)	**(273 818)**
Surplus for the year		**6 959 810**	**72 925 220**

* See Note 42

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2020	**316 953 499**	**316 953 499**
Changes in net assets		
Prior year adjustment	4 368 510	4 368 510
Net income (losses) recognised directly in net assets	4 368 510	4 368 510
Surplus for the year	72 925 220	72 925 220
Total recognised income and expenses for the year	77 293 730	77 293 730
Total changes	77 293 730	77 293 730
Restated* balance at 01 July 2021	**394 247 229**	**394 247 229**
Changes in net assets		
Surplus for the year	6 959 809	6 959 809
Total changes	6 959 809	6 959 809
Balance at 30 June 2022	**401 207 038**	**401 207 038**

* See Note 42

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		25 328 020	24 252 029
Grants		199 569 999	225 657 962
Interest income		3 358 728	2 772 460
Fines		535 267	75 200
		228 792 023	252 757 651
Payments			
Employee costs		(86 255 032)	(81 443 330)
Suppliers		(101 033 335)	(81 684 698)
Finance costs		(616 871)	(596 006)
		(187 905 238)	(163 724 034)
Net cash flows from operating activities	37	**40 886 785**	**89 033 617**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(54 809 943)	(56 423 929)
Proceeds from sale of property, plant and equipment	7	1 170 743	644 145
Purchase of other intangible assets	8	-	(774 534)
Net cash flows from investing activities		**(53 639 200)**	**(56 554 318)**
Cash flows from financing activities			
Repayment of other financial liabilities		(738 043)	(758 402)
Finance lease payments		-	(1 564 988)
Net cash flows from financing activities		**(738 043)**	**(2 323 390)**
Net increase/(decrease) in cash and cash equivalents		**(13 490 458)**	**30 155 909**
Cash and cash equivalents at the beginning of the year		35 251 294	5 095 384
Cash and cash equivalents at the end of the year	6	**21 760 836**	**35 251 293**

* See Note 42

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference 53
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	723 450	-	**723 450**	666 705	**(56 745)**	
Rental of facilities and equipment	821 500	-	**821 500**	777 059	**(44 441)**	A.1
Licences and permits	130 000	70 000	**200 000**	328 438	**128 438**	
Miscellaneous other revenue	-	-	**-**	270 060	**270 060**	
Operational revenue	216 700	(15 000)	**201 700**	314 141	**112 441**	
Interest received - investment	2 603 747	400 000	**3 003 747**	3 358 728	**354 981**	
Total revenue from exchange transactions	**4 495 397**	**455 000**	**4 950 397**	**5 715 131**	**764 734**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	28 233 493	-	**28 233 493**	25 634 672	**(2 598 821)**	A.2
Transfer revenue						
Government grants, transfers & subsidies	155 516 300	491 517	**156 007 817**	154 178 328	**(1 829 489)**	
Fines, Penalties and Forfeits	277 000	150 000	**427 000**	535 276	**108 276**	A.3
Donation income	-	-	**-**	1 010 143	**1 010 143**	
Total revenue from non-exchange transactions	**184 026 793**	**641 517**	**184 668 310**	**181 358 419**	**(3 309 891)**	
Total revenue excluding Capital Transfers and contributions)	**188 522 190**	**1 096 517**	**189 618 707**	**187 073 550**	**(2 545 157)**	
Expenditure						
Employee related costs	(76 078 911)	2 684 611	**(73 394 300)**	(74 057 652)	**(663 352)**	
Remuneration of councillors	(11 856 362)	(1 854 509)	**(13 710 871)**	(12 197 381)	**1 513 490**	
Depreciation and amortisation	(17 213 229)	-	**(17 213 229)**	(22 788 720)	**(5 575 491)**	A.4
Finance costs	(547 000)	-	**(547 000)**	(616 871)	**(69 871)**	
Lease rentals on operating lease	(700 000)	(20 000)	**(720 000)**	(964 872)	**(244 872)**	
Debt Impairment	(2 542 000)	-	**(2 542 000)**	(1 141 734)	**1 400 266**	
Contracted Services	(40 493 330)	(16 565 385)	**(57 058 715)**	(59 549 922)	**(2 491 207)**	
Transfers and Subsidies	(1 450 000)	780 000	**(670 000)**	(822 847)	**(152 847)**	
Operational Costs	(36 669 722)	1 264 307	**(35 405 415)**	(45 727 309)	**(10 321 894)**	A.5
Inventory consumed	(2 364 500)	367 275	**(1 997 225)**	(1 854 370)	**142 855**	
Total expenditure	**(189 915 054)**	**(13 343 701)**	**(203 258 755)**	**(219 721 678)**	**(16 462 923)**	
Operating deficit	**(1 392 864)**	**(12 247 184)**	**(13 640 048)**	**(32 648 128)**	**(19 008 080)**	
Loss on disposal of municipal assets	-	-	**-**	(87 122)	**(87 122)**	
Impairment loss	-	-	**-**	(10 310 927)	**(10 310 927)**	
Actuarial gains/losses	-	-	**-**	31 940	**31 940**	
Transfers and subsidies -capital (Monetary calculations National/Provincial/District)	26 149 700	21 956 483	**48 106 183**	49 974 047	**1 867 864**	

uMfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference 53
	26 149 700	**21 956 483**	**48 106 183**	**39 607 938**	**(8 498 245)**	
Deficit before taxation	**24 756 836**	**9 709 299**	**34 466 135**	**6 959 810**	**(27 506 325)**	
Transfers and subsidies -capital (Monetary calculations National/Provincial/District)	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**24 756 836**	**9 709 299**	**34 466 135**	**6 959 810**	**(12 506 325)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference 53
Statement of Financial Position						
Assets						
Current Assets						
Receivables from Exchange transactions	-	-	-	1 630 143	**1 630 143**	
VAT receivable	5 565 862	3 269 868	**8 835 730**	6 038 112	**(2 797 618)**	
Receivables from Non-Exchange Transactions	23 739 938	(5 912 412)	**17 827 526**	10 844 255	**(6 983 271)**	
Cash and cash equivalents	30 050 085	(10 095 571)	**19 954 514**	21 760 836	**1 806 322**	
	59 355 885	**(12 738 115)**	**46 617 770**	**40 273 346**	**(6 344 424)**	
Non-Current Assets						
Property, plant and equipment	396 764 390	4 245 484	**401 009 874**	388 161 785	**(12 848 089)**	
Intangible assets	1 641 032	268 426	**1 909 458**	416 213	**(1 493 245)**	
	398 405 422	**4 513 910**	**402 919 332**	**388 577 998**	**(14 341 334)**	
Total Assets	**457 761 307**	**(8 224 205)**	**449 537 102**	**428 851 344**	**(20 685 758)**	
Liabilities						
Current Liabilities						
Other financial liabilities	1 223 000	707	**1 223 707**	1 008 799	**(214 908)**	
Payables from exchange transactions	22 048 992	(3 799 714)	**18 249 278**	15 413 584	**(2 835 694)**	
Unspent conditional grants and receipts	5 557 633	(4 488 954)	**1 068 679**	1 030 296	**(38 383)**	
Retentions	-	-	-	4 557 625	**4 557 625**	
	28 829 625	**(8 287 961)**	**20 541 664**	**22 010 304**	**1 468 640**	
Non-Current Liabilities						
Other financial liabilities	4 013 837	(549 338)	**3 464 499**	3 482 375	**17 876**	
Retentions	-	-	-	149 627	**149 627**	
Employee benefit obligations	-	-	-	2 002 000	**2 002 000**	
	4 013 837	**(549 338)**	**3 464 499**	**5 634 002**	**2 169 503**	
Total Liabilities	**32 843 462**	**(8 837 299)**	**24 006 163**	**27 644 306**	**3 638 143**	
Net Assets	**424 917 845**	**613 094**	**425 530 939**	**401 207 038**	**(24 323 901)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	424 917 845	613 094	**425 530 939**	401 207 038	**(24 323 901)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference 53
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	22 727 404	72 345	**22 799 749**	25 328 020	**2 528 271**	
Grants	181 666 000	18 250 000	**199 916 000**	199 569 999	**(346 001)**	
Interest income	2 063 747	(20 000)	**2 043 747**	3 358 728	**1 314 981**	
Other Revenue	1 306 700	23 250	**1 329 950**	535 276	**(794 674)**	
	207 763 851	**18 325 595**	**226 089 446**	**228 792 023**	**2 702 577**	
Payments						
Employee costs	(87 935 273)	830 102	**(87 105 171)**	(86 255 032)	**850 139**	
Suppliers	(81 677 552)	(15 011 318)	**(96 688 870)**	(101 033 335)	**(4 344 465)**	
Finance costs	(547 000)	-	**(547 000)**	(616 871)	**(69 871)**	
	(170 159 825)	**(14 181 216)**	**(184 341 041)**	**(187 905 238)**	**(3 564 197)**	
Net cash flows from operating activities	**37 604 026**	**4 144 379**	**41 748 405**	**40 886 785**	**(861 620)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(30 368 200)	(25 613 689)	**(55 981 889)**	(54 809 943)	**1 171 946**	
Proceeds from sale of property, plant and equipment	-	-	-	1 170 743	**1 170 743**	
Purchase of other intangible assets	(470 000)	82 701	**(387 299)**	-	**387 299**	
Net cash flows from investing activities	**(30 838 200)**	**(25 530 988)**	**(56 369 188)**	**(53 639 200)**	**2 729 988**	
Cash flows from financing activities						
Repayment of other financial liabilities	(676 676)	-	**(676 676)**	(738 043)	**(61 367)**	
Net increase/(decrease) in cash and cash equivalents	6 089 150	(21 386 609)	**(15 297 459)**	(13 490 458)	**1 807 001**	
Cash and cash equivalents at the beginning of the year	23 960 224	11 291 069	**35 251 293**	35 251 294	**1**	
Cash and cash equivalents at the end of the year	**30 049 374**	**(10 095 540)**	**19 953 834**	**21 760 836**	**1 807 002**	

The accounting policies on pages 14 to 29 and the notes on pages 30 to 71 form an integral part of the annual financial statements.

1. Presentation of Annual Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

1.1 Presentation currency

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

The amounts presented in the Annual Financial Statements are rounded-off to the nearest rand.

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

In preparing the Annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis.

Significant judgements include:

Trade receivables and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The Municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Useful lives of Property,Plant and Equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property plant and equipment. This estimate is based on the pattern in which an asset's future economic benefit or service potential are expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives, and vice versa.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provision for impairment

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

An impairment of the trade receivables is accounted for by reducing the carrying amount of the trade receivable 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 the trade receivable is uncollectable, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. Groups of debtors with similar credit risk characteristics are assessed for impairment considering factors such as socio-economic conditions, type of customer, the default period and service-specific payment histories.

Provision for impairments is calculated by categorising the outstanding debtors into three:
Category A are government properties and those who owe less than 60 days. The provision is provided for at 0%.
Category B are those who are irregular payers and the debt is from 60 - 120 days. The provision is provided for at 25%.
Category C are bad payers and debt that is more than 120 days. The provision is provided for at 50%.

1.5 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.
All assets that can be classified as assets and that are constructed by the Municipality should be recorded in the asset register and depreciated over their estimated useful life for that category of asset.Work in progress shall be flagged as such in the asset register until such time that the facility is completed. Depreciation will commence when the construction of the asset is finalised and the asset is in the condition necessary for it to operate in the manner intended by management.

1.5 Property, plant and equipment (continued)

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

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

Item	Depreciation method	Average useful life
Intangible Assets	Straight-line	2-5 Years
Community Assets	Straight-line	5-30 Years
Furniture and Office Equipment	Straight-line	5-15 Years
Other Assets	Straight-line	10-30 Years
ICT Infrastructure	Straight-line	5-80 Years
Storm Water Infrastructure	Straight-line	5-80 Years
Road Infrastructure	Straight-line	5-80 Years
Water Supply Infrastructure	Straight-line	5-80 Years
Computer Equipments	Straight-line	5-30 Years
Machinery and Equipment	Straight-line	5-30 Years
Transport Assets	Straight-line	5-30 Years

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

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

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

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

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

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

Incomplete construction work is stated at historical cost.Depreciation only commences when the asset is ready for use.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 7).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

Accounting Policies

1.6 Intangible assets

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

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

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

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

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

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

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

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

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	Straight-line	5 Years

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The Municipality determines the classification of its financial instruments at initial recognition.

Initial recognition and measurement - A financial instrument is recognised, when the Municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added or deducted from the fair value, as appropriate on initial recognition.

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement – financial assets
Financial assets consist of cash and cash equivalents, deposits, receivables and investments.
Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.
A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of Financial Performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of Financial Performance.

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably are subsequently measured at cost less any impairment. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any calculated impairment is recognised in the Statement of Financial Performance.
Subsequent measurement – financial liabilities
Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of Financial Performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

Fair value measurement considerations
The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Municipality establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs.

1.8 Leases

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

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

Finance leases - lessee

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

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

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

Accounting Policies

1.8 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.9 Value-Added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) VAT on the invoice basis, in accordance with Section 15(1) of the VAT Act No.89 of 1991.

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

Useful life is either:

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

1.11 Employee benefits

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

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

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

1.11 Employee benefits (continued)

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

Accounting Policies

1.12 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

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

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

1.12 Provisions and contingencies (continued)

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

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

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

1.13 Commitments

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

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

1.15 Revenue from Exchange transactions

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

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

1.15 Revenue from Exchange transactions (continued)

Measurement

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

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

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

Sale of goods

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

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

Rendering of services

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

the amount of revenue can be measured reliably;

it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;

the stage of completion of the transaction at the reporting date can be measured reliably; and

the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service charges

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.

1.16 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the municipality receives value from another municipality without directly giving approximately equal value in exchange.

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

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

Measurement

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the Municipality is entitled to collect.
Subsequent to initial recognition and measurement, the Municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate:

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The Municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Donations and Contributions
Donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue:

1.17 Investment income

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

1.18 Borrowing costs

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

1.19 Conditional Grants

Conditional grants recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance

1.20 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

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

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

1.22 Irregular expenditure (continued)

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

1.23 Segment information

Basis of segmentation

Segment were identified based on the MFMA S71 monthly budget statements that are reviewed by the executive management and council to make strategic decisions and in monitoring segment performance . The disclosure of information about segments in these reports are organised around the type of service delivered in a standardised format, and is considered approprite for external reporting purposes to achieve the objectives of GRAP 18.

Segments are aggregated for reporting purposes when management considered that the economic characteristics and nature or services are sufficiently similar to warrant aggregation. The components of each aggregated segment is explained under the description of operations of the segments.

Reportable segments are identified based on activities of the municipality that generates economic benefits or service potential including internal services that contribute to achieving the municipality's objectives without necessarily generating net cash inflows.

Accounting policy and measurement basis

The accounting policies of the reportable segments are the same as the municipality's accounting policies.

Inter-segment pricing is determined on an arm's length basis, similar to transactions with third parties. Inter-segment revenues are eliminated upon consolidation and reflected in the "elimination of intersegment transactions" column of the segment report.

Geographic information

All the municipality's operations are located in the Republic of South Africa in the KwaMbonambi area.

A segment is an activity of an entity:

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

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

1.24 Comparative of actual information to budgeted information

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

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

1.25 Related parties

In accordance with the Standard of GRAP 20, a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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

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

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

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions. Management comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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

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

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

1.26 Events after reporting date

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

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

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

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

1.27 Statutory receivables identification

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

Statutory recievables include:

- Taxes income tax, property rates
- Fines usually breach of law

1.27 Statutory receivables identification (continued)

- Appropriations, grants and transfer payments i.t.o . budget legislation
- Other charges licences , levies

Recognition

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

Initial measurement

The Municipality initially measures statutory recievables at their transaction amount.

Subsequent measurement

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

- Interest or other charges that may have accrued on the receivable (where applicable);
- Impairment losses; and
- Amounts derecognised.

1.16 Statutory receivables (continued) Accrued interest

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

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

Derecognition

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

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

There are no new standards that were issued and effective in the current year. The municipality has applied all standards and interpretations that were issued by the accounting standards board that are applicable to the municipality consistently with prior year.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 Financial Instruments(revised)	01 April 2023	Unlikely there will be a material impact
• GRAP 25 Employee Benefits (revised)	01 April 2023	Unlikely there will be a material impact
• GRAP 18 Segment Reporting	01 April 2023	Unlikely there will be a material impact
• GRAP 103 Heritage Assets	01 April 2023	Unlikely there will be a material impact

2.2 Standards and interpretations issued, but not yet effective

• Guideline: Guideline on Accounting for Landfill sites	01 April 2022	Unlikely there will be a material impact
• GRAP 25 (As revised) Employee Benefits	01 April 2022	Unlikely there will be a material impact
• GRAP 104 (as revised) Financial Instruments	01 April 2022	Unlikely there will be a material impact

GRAP 25 (as revised): Employee Benefits

Background

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

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation is 01 April 2023.

The municipality expects to adopt the interpretation for the first time in the 2023/2024 financial year.

It is unlikely that the interpretation will have a material impact on the municipality's financial statements

GRAP 1 (amended): Presentation of Financial Statements
Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Summary of amendments are

Information should not be obscured by aggregating or by providing immaterial information;

- Materiality considerations apply to all parts of the financial statements; and
- Even when a Standard of GRAP requires a specific disclosure, materiality considerations apply

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2025.

The municipality expects to adopt the amendment for the first time in the 2025/2026 financial statements.The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements..

3. Receivables from Exchange transactions

Prepayments and other recievables	1 119 414	689 029
Refuse	846 736	838 517
Provision for Impairment	(336 007)	(330 673)
	1 630 143	**1 196 873**

Refuse		
Current (0-30 days)	30 203	51 364
31 - 60 days	24 736	28 422
61 - 90 days	17 683	28 936
91 - 120 days	17 297	19 181
121 - 365 days	756 817	710 614
	846 736	**838 517**

Reconciliation of Provision for Impairment		
Opening balance	330 674	215 840
Provision for impairment	5 333	114 834
	336 007	**330 674**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

4. Receivables from Non exchange transactions

Gross balances		
Consumer debtors	18 236 924	17 317 311
Less: Allowance for impairment		
Consumer debtors	(7 392 669)	(7 290 352)
Net balance		
Consumer debtors	10 844 255	10 026 959

Reconciliation of impairment provision for Consumer debtors		
Opening balance	7 290 352	6 418 170
Provision for impairment	102 317	872 182
	7 392 669	**7 290 352**

Reconciliation of impairment provision

Reconciliation of the traffic fines		
Fines	12 133 139	11 657 825
allowance for impairment	(12 133 139)	(11 657 825)
	-	-

Reconciliation of provision for impairment of fines		
Opening balance	11 657 825	11 549 517
Add: Fines identified in the prior year	-	102 368
Provision for impairment	475 314	5 940
	12 133 139	**11 657 825**

Rates		
Current (0 -30 days)	922 469	1 024 112
31-60 Days	780 621	4 241 132
61 - 90 days	2 432 893	717 411
91 - 120 days	357 987	712 466
121 - 365 days	10 472 496	9 834 623
	14 966 466	**16 529 744**

Interest		
Current (0 -30 days)	92 035	14 357
31 - 60 days	94 457	14 836
61 - 90 days	89 318	23 241
91 - 120 days	87 213	-
121 - 365 days	2 907 435	735 133
	3 270 458	**787 567**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

4. Receivables from Non exchange transactions (continued)

Summary of Consumer Debtors by Customer Classification

	2022	2021
Residential		
Current (0 -30 days)	155 560	195 535
31 - 60 days	109 138	(9 548)
61 - 90 days	94 019	78 962
91 - 120 days	86 494	33 778
121 - 365 days	4 010 581	4 405 777
	4 455 792	**4 704 504**
Commercial and Industrial		
Current (0 -30 days)	859 386	1 042 957
31 - 60 days	751 920	(883)
61 - 90 days	366 727	479 515
91 - 120 days	346 688	102 350
121 - 365 days	8 118 701	4 490 343
	10 443 422	**6 114 282**
National and provincial government		
Current (0 -30 days)	13 579	4 025 669
31 - 60 days	2 061 465	(3 082)
61 - 90 days	12 018	97 921
91 - 120 days	12 197	25 567
121 - 365 days	1 238 452	2 352 450
	3 337 711	**6 498 525**
Total		
Current (0 -30 days)	1 028 524	1 075 476
31 - 60 days	2 922 523	4 269 554
61 - 90 days	472 764	746 347
91 - 120 days	445 379	731 648
121 - 365 days	13 367 734	10 494 286
	18 236 924	**17 317 311**

Figures in Rand	2022	2021

4. Receivables from Non exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

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

Property rates	18 236 924	16 529 744
Traffic fines	12 133 139	11 657 825
	30 370 063	**28 187 569**

Statutory receivable that are past due and impaired included in receivables from non-exchange transactions are as follows:

Property rates	(7 392 669)	(7 290 352)
Traffic fines	(12 133 139)	(11 657 825)
	(19 525 808)	**(18 948 177)**

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

Property rates	10 844 255	10 026 959
Traffic fines	-	-

Receivable from Non-exchange Transactions Statutory receivables general information

Property rates is levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 as amended by Local Government: Municipal Property Rates Amendment Act, No. 29 0f 2014, this therefore is recognised as a statutory receivable. The receivable is calculated by applying the Council Approved rates randage against the valuation of individual properties within the municipality jurisdiction. Council approved rebates and exemptions are further applied to reduce the receivable.

Traffic fines are issued to offenders in terms of Criminal Procedures Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law

Interest or other charges levied/charged

The Municipality charges interest on all outstanding rates debtors' balances older than 30 days in respect of rate accounts at a simple interest rate of prime plus 1% determined as at 28 February of each year for the financial year starting 1 July.

No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the Municipality

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

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

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

Statutory receivables past due but not impaired

Certain statutory receivables which are less than 3 months past due are not considered to be impaired. Other statutory receivable that are older than 3 months are not considered for impairment if there is indication they would be collected. At 30 June 2022, R4 442 069 (2021: R 2 475 938) were past due but not impaired.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

4. Receivables from Non exchange transactions (continued)

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

1 month past due	35 850	97 921
2 months past due	2 061 491	25 567
3 months past due	2 344 728	2 352 450

5. VAT receivable

VAT	6 038 112	7 976 042

VAT summary

Opening balance	7 976 042	5 452 373
Movement	(1 937 930)	2 523 669
	6 038 112	**7 976 042**

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 310	17 490
Main Bank balance	(124 861)	185 344
Other Bank balances	21 884 387	35 048 459
	21 760 836	**35 251 293**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
ABSA Bank- Account Type- Cheque- 40 5385 7155	(124 861)	185 344	5 076 962	(124 861)	185 344	5 076 962
ABSA Bank- Account Type- Traffic- 40 7854 4599	54 142	36 897	-	54 142	36 897	-
ABSA Bank- Account Type- INEP- 92 8652 5057	1 026	1 017	1 000	1 026	1 017	1 000
ABSA Bank- Account Type- MIG- 92 8651 3913	1 261	1 250	1 229	1 262	1 250	1 229
ABSA Bank- Account Type- EPWP - 92 861 3769	997	997	984	998	997	984
ABSA Bank- Account Type- FMG- 92 8652 5340	1 118	1 110	1 091	1 117	1 110	1 091
ABSA Bank- Account Type- MSIG- 92 8651 3028	1 380	1 370	1 347	1 380	1 370	1 347
ABSA Bank- Account Type- Call- 91 0739 9765	2 069	2 093	2 069	2 069	2 093	2 055
ABSA Bank- Account Type- Traffic- 40 6506 2322	24 619	3 036	-	24 620	3 033	-
ABSA Bank- 93 3848 2339	1 075 566	35 000 692	1 605	1 075 566	35 000 692	1 605
Nedbank Investmen- Account Type -1766000029	20 722 205	-	-	20 722 205	-	-
Total	**21 759 522**	**35 233 806**	**5 086 287**	**21 759 524**	**35 233 803**	**5 086 273**

7. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	16 742 853	-	16 742 853	16 742 853	-	16 742 853
Machinery and Equipment	5 667 385	(1 750 375)	3 917 010	5 315 449	(1 218 563)	4 096 886
Furniture and office Equipment	6 625 248	(3 174 782)	3 450 466	6 582 486	(2 715 573)	3 866 913
Computer Equipment	4 806 451	(1 670 819)	3 135 632	3 775 506	(1 254 301)	2 521 205
Road Infrastructure	153 709 744	(42 875 749)	110 833 995	129 471 056	(30 976 794)	98 494 262
Community Assets	176 655 284	(48 960 927)	127 694 357	165 615 940	(37 319 232)	128 296 708
Storm Water Infrastructure	3 028 547	(336 950)	2 691 597	2 561 416	(277 603)	2 283 813
Water Supply Infrastructure	28 646	(11 060)	17 586	28 646	(9 106)	19 540
Other Assets	65 463 209	(15 801 532)	49 661 677	65 445 209	(13 415 665)	52 029 544
Work in Progress	55 785 923	(1 664 569)	54 121 354	42 822 068	-	42 822 068
Transport Assets	19 735 465	(5 858 974)	13 876 491	19 689 322	(6 809 144)	12 880 178
ICT Infrastructure	3 083 353	(1 064 586)	2 018 767	3 083 353	(661 051)	2 422 302
Total	**511 332 108**	**(123 170 323)**	**388 161 785**	**461 133 304**	**(94 657 032)**	**366 476 272**

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers in (out)	Donations	Depreciation	Impairment loss	Total
Land	16 742 853	-	-	-	-	-	-	16 742 853
Machinery and Equipment	4 096 886	329 510	(78 048)	-	219 800	(651 143)	-	3 917 005
Furniture and office equipment	3 866 913	675 235	(216 491)	-	-	(875 191)	-	3 450 466
Computer Equipment	2 521 205	1 205 051	(41 376)	-	52 555	(601 803)	-	3 135 632
Road Infrastructure	98 494 262	52 644	-	24 186 044	-	(8 979 610)	(2 919 345)	110 833 995
Community Assets	128 296 708	-	-	11 039 343	-	(5 928 754)	(5 712 940)	127 694 357
Storm Water Infrastructure	2 283 813	-	-	467 130	-	(56 950)	(2 396)	2 691 597
Water Supply Infrastructure	19 540	-	-	-	-	(1 954)	-	17 586
Other Assets	52 029 544	17 999	-	-	-	(2 380 420)	(5 446)	49 661 677
Work-in-Progress	42 822 068	48 656 372	-	(35 692 517)	-	-	(1 664 569)	54 121 354
Transport Assets	12 880 178	3 873 132	(921 950)	-	737 788	(2 692 657)	-	13 876 491
ICT Infrastructure	2 422 302	-	-	-	-	(403 535)	-	2 018 767
	-	-	-	-	-	-	-	-
	366 476 272	**54 809 943**	**(1 257 865)**	**-**	**1 010 143**	**(22 572 017)**	**(10 304 696)**	**388 161 780**

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers In/(Out)	Depreciation	Prior year adjustment	Total
Land	16 742 853	-	-	-	-	-	16 742 853
Machinery and Equipment	3 427 461	1 152 740	(10 457)	-	(472 858)	-	4 096 886
Furniture and Office Equipment	4 474 243	252 223	(47 130)	-	(812 423)	-	3 866 913
Computer Equipment	2 260 473	641 222	(385)	-	(462 988)	82 883	2 521 205
Road Infrastructure	92 165 637	41 581	-	13 434 064	(7 147 020)	-	98 494 262
Community Assets	130 941 107	246 161	-	-	(5 997 399)	3 106 839	128 296 708
Storm Water Infrastructure	1 884 774	-	-	446 552	(47 513)	-	2 283 813
Water Supply Infrastructure	21 494	-	-	-	(1 954)	-	19 540
Other Assets	54 036 200	371 473	-	-	(2 378 129)	-	52 029 544
Work-in-Progress	11 986 232	44 933 613	-	(13 880 616)	-	(217 161)	42 822 068
Transport Assets	7 490 606	7 748 717	(586 174)	-	(1 772 971)	-	12 880 178
ICT Infrastructure	1 857 971	951 999	-	-	(387 668)	-	2 422 302
	327 289 051	**56 339 729**	**(644 146)**	**-**	**(19 480 923)**	**2 972 561**	**366 476 272**

Pledged as security

There is no Property, plant and equipment pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

7. Property, plant and equipment (continued)

Property, plant and equipment- Fully depreciated

The Municipality has thirty nine assets (39) included in the Fixed Assets Register which have a net book value of zero. These assets are in a poor condition and have been budgeted for replacement.

The Municipality will therefore continue to measure these assets at a net book value of zero.

The class of assets which are affected as well as the total cost is detailed below:

Community Assets	2 949 319	2 949 319
Furniture and office equipment	56 851	56 851
Other Assets	15 005	15 005
Road infrastructure	363 412	363 412
	3 384 587	**3 384 587**

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that has been impaired

Cinci MPCC The project was discontinued as it was not prioritised in the 2017/2018 IDP (projects to be executed).The project will be continued in the 2022/23 financial period, however the project will be constructed in a different location. Due to the above, the project has been impaired as there is no recoverable service benefit.	439 131	439 131
Dondotha Sports Complex The Dondotha Sports complex which comprises of work in progress infrastructure assets were severly damaged by heavy floods in January 2022 that caused extensive damage to the infrastructure and as a result the structure was due to be impaired.	1 225 438	

Carrying value of property, plant and equipment that is taking a longer period of the time to complete than expected.

Dondotha Sports Complex The contractor has applied for an extension for the project. The delay was due to heavy rains, the COVID-19 pandemic, lockdown regulations and the July 2021 civil unrest. The project will be completed during the 2022/23 financial period.	38 959 610	29 652 610
	39 398 741	**30 091 741**

Reconciliation of Work-in-Progress 2022

	Infrastructure Assets	Community Assets	Machinery and Equipment	Total
Opening balance	9 535 744	33 286 241	-	42 821 985
Additions/capital expenditure	25 911 892	17 897 334	990 000	44 799 226
Capitalised	(20 795 924)	(11 039 364)	-	(31 835 288)
Impairment	-	(1 664 569)	-	(1 664 569)
	14 651 712	**38 479 642**	**990 000**	**54 121 354**

Figures in Rand	2022	2021

7. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Infrastructure Assets	Community Assets	Total
Opening balance	9 373 523	2 612 709	11 986 232
Additions/capital expenditure	14 344 362	30 589 227	44 933 589
Capitalised	(13 880 593)	-	(13 880 593)
Prior period adjustment	(301 465)	84 305	(217 160)
	9 535 827	**33 286 241**	**42 822 068**

Expenditure incurred to repair and maintain property, plant and equipment

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

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Furniture and office equipment	116 394	14 899
Community assets	2 401 464	4 984 565
Other assets	2 246 403	971 624
Transport assets	2 590 520	1 007 359
Machinery and equipment	1 047 994	901 075
Storm water	998 364	888 512
	9 401 139	**8 768 034**

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

Notes to the Annual Financial Statements

Figures in Rand

8. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 668 309	(1 252 096)	416 213	1 668 309	(1 029 185)	639 124

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Impairment loss	Total
Computer software, other	639 124	(216 702)	(6 209)	416 213

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Prior period adjustments	Total
Computer software, other	1 960 620	600 000	(216 702)	(1 704 794)	639 124

Pledged as security

There are no intangible assets pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

9. Payables from exchange transactions

Trade payables	6 739 565	3 665 704
Unallocated Deposits	549 951	157 721
Accrued leave pay	5 084 212	4 796 897
Accrued Bonus Provision	1 632 652	1 639 157
Accruals	601 049	173 738
Other creditors	11 452	24 263
Prepayments	794 703	787 566
	15 413 584	**11 245 046**

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Development Planning and Shared Services Grant	172 498	172 498
Expanded Public Works Program Grant	-	346 722
Maintenance of Sport Facilities Grant	-	37 605
Schemes Support Programme Grant	60 800	60 800
Small Town Rehabilitation Grant	336 034	336 034
Spatial Development Framework Grant	260 964	260 964
Sports and Recreation Grant	-	4 198 047
Title Deeds Restoration Grant	200 000	200 000
	1 030 296	**5 612 670**

See note 22 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

11. Retentions

Non-current portion	149 627	1 225 584
Current portion	4 557 625	2 115 817
	4 707 252	**3 341 401**

12. Other financial liabilities

At amortised cost		
ABSA Loan	4 491 174	5 229 217

The following loan bears interest at 10.93% per annum, with bi-annual instalments of R611 853.57 in January and July of each year. The loan is fully repayable by 1 July 2026.

Non-current liabilities		
At amortised cost	3 482 375	4 262 687

Current liabilities		
At amortised cost	1 008 799	966 530

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

13. Employee benefit obligations

Defined benefit plan : Long term service

The municipality provides certain long term service bonus awards. The Municipality offers bonuses for every 5 years of completed service from 5 years to 20 years. Long term service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed out. Municipal employees, in most cases choose to excercise the option to convert their accumulated leave bonus to cash.

Completed service (Years)	Long Service Bonus Awards (% of Annual Salary)
5	5
10	10
15	4
30	30

A day of accumulated leave is worth 1/249 of annual salary.

Valuation Method:

In accordance with the requirements of GRAP 25, the Projected Unit Credit method was applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in the future based on service accrued to the valuation date and awards projected to the retirement date. In determining these liabilities, due allowance has been made for future award increases.

The valuation has been made with the requirements of GRAP 25.

Changes in the present value of the defined benefit obligation are as follows:

	2022	2021
Opening balance	1 891 000	1 584 000
Net expenses recognised in the statement of financial performance	111 000	307 000
	2 002 000	**1 891 000**

Net expense recognised in the statement of financial performance

	2022	2021
Current service cost	284 000	251 000
Interest cost	129 000	139 000
Actuarial (gains) losses	(31 940)	231 000
Benefits Paid	(270 060)	(314 000)
	111 000	**307 000**

Assumption		
Discount rate	10.26%	7.40%
Consumer price index	7.41%	4.62%
Salary increase rate	8.41%	5.62%
Net Discount Rate	**1,71%**	**1.69%**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

14. Revenue

Service charges	666 705	597 603
Rental of facilities and equipment	777 059	905 390
Licences and permits	328 438	19 520
Expected Returns on Employee benefits	270 060	314 000
Operational Revenue	314 141	456 140
Interest received - investment	3 358 728	2 772 460
Property rates	25 634 672	23 839 776
Government grants & subsidies	204 152 375	225 657 962
Fines, Penalties and Forfeits	535 276	75 200
Donation Income	1 010 143	-
	237 047 597	**254 638 051**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	666 705	597 603
Rental of facilities and equipment	777 059	905 390
Licences and permits	328 438	19 520
Miscellaneous other revenue	270 060	314 000
Operational revenue	314 141	456 140
Interest received - investment	3 358 728	2 772 460
	5 715 131	**5 065 113**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	25 634 672	23 839 776
Transfer revenue		
Government grants & subsidies	204 152 375	225 657 962
Fines, Penalties and Forfeits	535 276	75 200
Donations income	1 010 143	-
	231 332 466	**249 572 938**

15. Service charges

Refuse removal	666 705	597 603

16. Rental of facilities and equipment

Premises		
Rental of facilities and equipment	777 059	905 390

17. Licences and permits

Learner driver application	328 438	19 520

18. Operational Revenue

Sundry income	314 141	456 140

19. Operational revenue

Sundry Income	314 141	456 140

Figures in Rand	2022	2021

20. Interest revenue

Interest on Investments	2 194 852	1 617 898
Interest charged on trade and other receivables	1 163 876	1 154 562
	3 358 728	**2 772 460**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

21. Property rates

Rates received

Property rates	34 555 182	32 290 100
Less: Income forgone	(8 920 510)	(8 450 324)
	25 634 672	**23 839 776**

Property rates by category		
Residential Properties	2 854 630	2 673 497
Agricultural Property	3 590 535	3 379 229
Business and Commercial Properties	4 530 229	4 246 350
Public Service Infrastructure Properties	54 866	43 573
State-owned Properties	16 592 142	15 449 103
Industrial properties	6 932 779	6 498 348
	34 555 181	**32 290 100**

Property rates foregone		
Residential Properties	(1 245 364)	(1 194 116)
Agricultural Property	(1 436 214)	(1 370 802)
Business and Commercial Properties	(1 141 754)	(1 061 588)
Public Service Infrastructure Properties	(47 185)	(40 258)
State-owned Properties	(3 325 993)	(3 157 095)
Industrial properties	(1 724 000)	(1 626 465)
	(8 920 510)	**(8 450 324)**

Valuations

Agricultural	1 105 918 000	1 115 218 000
Commercial	84 691 000	84 691 000
Communal land	175 075 000	175 075 000
Industrial	133 153 000	133 153 000
Municipal	31 354 000	31 354 000
Place of worship	1 948 000	1 948 000
Public benefit organisation	4 065 000	6 845 000
Public service infrastructure	19 926 000	19 926 000
Public service purposes	291 365 000	293 455 000
Residential	201 507 000	200 782 000
Residential hospitality	2 200 000	2 200 000
Sectional title- Commercial	2 115 000	2 115 000
Sectional title- Residential	20 690 000	20 690 000
	2 074 007 000	**2 087 452 000**

The Municipality of uMfolozi has determined the rates payable on all rate-able property within the area of uMfolozi Municipality financial year effective from 01 July 2021 to 30 June 2022. The Budget related tarrifs were approved by Council at its meeting held on the 26th May 2021. The revised Property Rates Tarrifs are as follows:

Property Rates Category - Tarrifs		
Agricultural	0,00324	0.00300
Business	0.05179	0.04886
Industrial	0.05179	0.04886
Residential	0.01297	0.01200
Business/Hotel	0.05179	0.04886
Public Service Purposes	0.05828	0.05498
Public Service Infrastructure	0.00324	0.00300
Church/PBO	Exempt	Exempt
Municipal Properties	Exempt	Exempt

Figures in Rand	2022	2021

21. Property rates (continued)

Refuse Tarrifs - Vat inclusive		
Residential	10% of Monthly assessment rates	10% of Monthly assessment rates
Commmercial and Industrial	15% of Monthly assessment rates	15% of Monthly assessment rates
Government and Other	15% of Monthly assessment rates	15% of Monthly assessment rates

22. Government grants and subsidies

Operating grants		
Equitable share	147 696 000	166 548 000
Library Grant	3 037 000	2 898 000
Financial Management Grant	1 850 000	1 900 000
Expanded Public Works Program Grant	1 557 722	1 441 278
Maintenance of Sport Facilities Grant	37 606	527 607
	154 178 328	**173 314 885**
Capital grants		
Sports and Recreation Grant	7 448 047	8 751 077
Municipal Infrastructure Grant	42 526 000	43 592 000
	49 974 047	**52 343 077**
	204 152 375	**225 657 962**

Equitable Share

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

The difference of 2022: 0 (2021: R 745 000) between the balance as per accounts and DORA allocation is brought about unspent grant of Municipal Distater grant which was reverted to the National Revenue Fund.

Equitable share reconciliaiton		
Equitable share allocation	147 696 000	167 293 000
Eqitable share disclosed	(147 696 000)	(166 548 000)
	-	**745 000**

Municipal Infrastructure Grant (MIG)

Current-year receipts	42 526 000	43 592 000
Conditions met - transferred to revenue	(42 526 000)	(43 592 000)
	-	-

Spatial Development Framework Grant

Balance unspent at beginning of year	260 964	260 964

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

22. Government grants and subsidies (continued)

Library Grant

Current-year receipts	3 037 000	2 898 000
Conditions met - transferred to revenue	(3 037 000)	(2 898 000)
	-	-

Financial Management Grant

Current-year receipts	1 850 000	1 900 000
Conditions met - transferred to revenue	(1 850 000)	(1 900 000)
	-	-

Title Deeds Restoration Grant

Balance unspent at beginning of year	200 000	200 000

Development Planning and Shared Services Grant

Balance unspent at beginning of year	172 498	172 498

Small Town Rehabilitation Grant

Balance unspent at beginning of year	336 034	336 034

Sport and Recreation Grant

Balance unspent at beginning of year	4 198 046	4 162 124
Current-year receipts	3 250 000	8 787 000
Conditions met - transferred to revenue	(7 448 046)	(8 751 078)
	-	**4 198 046**

Schemes Support Program Grant

Balance unspent at beginning of year	60 800	60 800

Maintenance of Sport Facilities Grant

Balance unspent at beginning of year	37 605	565 212
Conditions met - transferred to revenue	(37 605)	(527 607)
	-	**37 605**

Expanded Public Works Programme Grant

Balance unspent at beginning of year	346 722	-
Current-year repayments	(346 000)	-
Current-year receipts	1 557 000	1 788 000
Conditions met - transferred to revenue	(1 557 722)	(1 441 278)
	-	**346 722**

Figures in Rand	2022	2021

22. Government grants and subsidies (continued)

Integrated National Electrification Grant

Current-year receipts	-	9 000 000
Conditions met - transferred to revenue	-	(9 000 000)
	-	-

23. Fines, Penalties and Forfeits

Motor licenses and traffic fines	534 550	75 200
Illegal Dumping Fines	726	-
	535 276	**75 200**

24. Donation Income

Isuzu Truck FRR 600 Tipper Compact	737 788	-
FAW Generator	109 900	-
FAW Generator	109 900	-
Dell latitude 5520 Laptop	26 277	-
Dell latitude 5520 laptop	26 277	-
	1 010 142	-

A refuse truck was donated by COGTA to the Municipality. The asset was purchased by Provincial COGTA of KZN on 10 October 2019. The asset was donated to the Municipality on 15th of May 2021 and brought into use from 1st of July 2021

Two generators and two laptops were donated to the municipality on the 2nd of June 2022 by the provincial Department of Arts and Culture

Figures in Rand	2022	2021

25. Employee related costs

Basic	44 767 232	43 324 572
Bonus	2 896 071	2 858 366
Medical aid - company contributions	3 619 313	3 311 201
UIF	347 763	295 964
SDL	723 054	579 717
Pension	5 859 485	5 485 425
Leave pay provision charge	1 362 565	2 087 082
Overtime payments	3 373 608	3 006 813
Acting allowances	303 469	405 565
Car allowance	7 164 607	7 110 179
Housing benefits and allowances	171 697	213 212
Cellphone allowances	532 030	558 289
Stand-by Allowance	839 145	617 455
Group Life Insurance	1 792 199	1 443 882
Current Service costs	284 000	251 000
Bargaining Council	21 414	21 097
	74 057 652	**71 569 819**

Senior management remuneration included in employee related cost is as follows:

Remuneration of Municipal Manager - KE Gamede

Annual Remuneration	694 893	694 893
Car Allowance	297 812	297 812
Contributions UIF and SALGA	2 249	1 932
	994 954	**994 637**

Remuneration of Former Chief Financial Officer- KN Mthethwa

Annual Remuneration	-	264 610
Acting allowance	-	6 857
Car allowance	-	76 934
Cellphone allowance	-	7 500
Contributions	-	793
Leave pay	-	150 574
	-	**507 268**

Remuneration of Chief Financial Officer - ZJ Ndlovu

Annual Remuneration	570 544	142 636
Car Allowance	244 519	61 130
Cellphone Allowance	7 500	4 500
Contributions UIF and SALGA	2 249	504
	824 812	**208 770**

Remuneration of Technical Services Director - SG Hlatshwayo

Annual Remuneration	611 297	611 297
Car Allowance	203 766	203 766
Cellphone Allowance	18 000	18 000
Contributions UIF and SALGA	2 249	1 932
	835 312	**834 995**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

25. Employee related costs (continued)

Remuneration of Corporate Services Director - AS Shandu

Annual Remuneration	570 544	332 817
Car Allowance	244 519	142 636
Cellphone allowance	18 000	10 500
Contributions UIF and SALGA	2 249	1 139
	835 312	**487 092**

Remuneration of Former Community Services Director- VNN Nsele

Annual Remuneration	-	509 414
Car Allowance	-	169 805
Cellphone allowance	-	15 000
Contributions UIF and SALGA	-	1 735
Leave pay	-	144 027
	-	**839 981**

Remuneration of Community Services Director- SS Maphanga

Annual Remuneration	47 545	-
Car Allowance	20 377	-
Cellphone allowance	1 500	-
Contributions to UIF and SALGA	177	-
	69 599	**-**

Shareholders unit

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

26. Remuneration of councillors

Hon. Mayor	735 674	524 648
Deputy Mayor	559 200	428 598
Hon. Speaker	602 816	428 598
MPAC	344 275	394 018
Chief Whip	259 191	-
Executive committee members	1 182 144	1 213 779
All other Councillors	8 514 081	8 237 581
	12 197 381	**11 227 222**

Honourable Mayor

Salary Mayor	650 990	360 186
Travel allowance	42 914	120 062
Cellphone and data allowance	41 770	44 400
	735 674	**524 648**

Deputy Mayor

Salary	504 728	288 149
Travel allowance	35 972	96 049
Cellphone and data allowance	18 500	44 400
	559 200	**428 598**

Honourable Speaker

Salary	569 938	384 198
Cellphone and data allowance	32 878	44 400
	602 816	**428 598**

MPAC

Salary	229 654	262 213
Travel allowance	76 551	87 405
Cellphone and data allowance	38 070	44 400
	344 275	**394 018**

Chief Whip

Salary	230 438	-
Cellphone and data allowance	28 753	-
	259 191	**-**

Executive Committee members

Salary	937 081	900 483
Travel allowance	116 900	133 200
Cellphone and data allowance	128 163	180 096
	1 182 144	**1 213 779**

All other councillors

Salary	6 884 367	6 265 890
Travel allowance	433 904	817 291
cellphone and data allowance	1 195 810	1 154 400
	8 514 081	**8 237 581**

Figures in Rand	2022	2021

26. Remuneration of councillors (continued)

In-kind benefits

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

The Hon. Mayor. Hon. Speaker and the Deputy Mayor each have the use of separate Council owned vehicles for official duties. From November 2021 till March 2022 the political office bearers made use of the hired services and in March 2022 two vehicles were procured for Hon. Mayor and Deputy Mayor.The Hon. Speaker's vehicle was procured at year end.

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

27. Depreciation and amortisation

Property, plant and equipment	22 572 018	19 433 479
Intangible assets	216 702	235 558
	22 788 720	**19 669 037**

28. Impairment of assets

Impairments		
Property, plant and equipment	10 310 927	-

Cinci MPCC
The project was discontinued as it was not prioritised in the 2017/2018 IDP (projects to be executed).The project will be continued in the 2022/23 financial period, however the project will be constructed in a different location. Due to the above, the project has been impaired as there is no recoverable service benefit.

29. Finance costs

Finance leases	-	131 700
Other financial liabilities	485 664	559 844
Interest paid	131 207	139 000
	616 871	**830 544**

30. Lease rentals on operating lease

Equipment		
Contractual amounts	964 872	642 523

Operating lease payments represents rentals payable by the municipality for certain of its photocopiers

31. Debt impairment

Contributions to debt impairment provision	1 141 734	977 978

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

32. Contracted services

Outsourced Services		
Catering Services	2 240 719	903 923
Information technology services	-	10 959
Cleaning Services	2 533 827	1 653 667
Other contractors	296 855	10 300
Researcher	368 886	466 380
Electrical	165 275	157
Consultants and Professional Services		
Business and Advisory	25 606 717	22 888 600
Legal Cost	167 945	239 271
Contractors		
Electrical	2 757 600	-
Event Promoters	445 212	500 250
Intergrated National Electrical Program	-	2 581 691
Maintenance of unspecified assets	9 923 389	8 788 422
Medical Services	372 735	541 915
Safeguard and Security	9 519 701	4 467 064
Sewerage Services	3 613 438	1 997 273
Stage and Sound Crew	1 537 623	427 255
	59 549 922	**45 477 127**

33. Transfers and Subsidies

Other subsidies		
Councillors donations	822 847	1 085 875

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

34. Operational Costs

Advertising and publicity	4 621 045	2 161 044
Auditors remuneration	2 108 499	1 726 690
Bank charges	168 459	106 012
Community development and training	1 053 755	490 659
Computer expenses	2 148 346	2 265 065
Conferences and seminars	872 391	330 304
Consulting and professional fees	1 280 679	1 067 126
Consumables	1 854 370	3 083 350
Electricity	2 471 349	1 358 188
Entertainment	69 731	19 271
Fuel and oil	6 621 337	3 544 221
Gifts	3 949 557	825 048
Hire Charges	6 459 161	1 780 024
Hostel charges	725 849	321 854
Indigent	1 277 297	1 141 175
Insurance	1 075 666	650 306
Levies	102 567	165 000
Municipal disaster relief	29 000	195 589
Postage and courier	3 685	10 137
Printing and stationery	769 714	534 942
Protective clothing	-	1 830
Repairs and maintenance	397 663	21 679
Sitting allowance	21 000	9 767
Telephone and fax	1 274 838	2 950 826
Training	301 744	284 793
Travel - local	5 348 493	1 259 959
Uniforms	658 285	1 164 467
Ward committees remuneration	1 492 400	2 058 620
Workmen's Compensation	424 800	430 942
	47 581 680	**29 958 888**

35. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Income from controlled entities		
Interest	2 194 852	1 617 898
Operating lease charges		
Equipment		
• Contractual amounts	964 872	642 523
Loss on sale of property, plant and equipment	(87 122)	(42 818)
Impairment on property, plant and equipment	10 310 927	-
Amortisation on intangible assets	216 702	235 558
Depreciation on property, plant and equipment	22 572 018	19 433 479
Employee costs	86 255 033	82 797 041

36. Auditors' remuneration

Fees	2 108 499	1 726 690

37. Cash generated from operations

Surplus	6 959 809	72 925 220
Adjustments for:		
Depreciation and amortisation	22 788 720	19 669 037
Loss on disposal of property, plant and equipment	87 122	42 818
Impairment deficit	10 310 927	-
Debt impairment	1 141 734	977 978
Movements in retirement benefit assets and liabilities	111 000	307 000
Donation recieved	(1 010 143)	-
Changes in working capital:		
Receivables from non-exchange transactions	(1 394 927)	1 641 600
Receivables from Exchange transactions	(998 068)	-
Payables from exchange transactions	4 169 204	(5 112 133)
VAT	1 937 930	(3 063 107)
Unspent conditional grants and receipts	(4 582 374)	-
Retentions	1 365 851	-
	40 886 785	**87 388 413**

38. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	1 630 143	1 630 143
Trade and other receivables from non-exchange transactions	10 844 255	10 844 255
Cash and cash equivalents	21 760 836	21 760 836
	34 235 234	**34 235 234**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	4 491 174	4 491 174
Trade and other payables from exchange transactions	15 413 584	15 413 584
Retentions	4 707 252	4 707 252
Employee benefit obligations	2 002 000	2 002 000
	26 614 010	**26 614 010**

2021

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	1 196 873	1 196 873
Trade and other receivables from non-exchange transactions	-	10 026 959	10 026 959
Cash and cash equivalents	35 251 293	-	35 251 293
	35 251 293	**11 223 832**	**46 475 125**

Financial liabilities

Figures in Rand	2022	2021

38. Financial instruments disclosure (continued)

	At amortised cost	Total
Other financial liabilities	5 229 217	5 229 217
Trade and other payables from exchange transactions	11 245 046	11 245 046
Retentions	3 341 401	3 341 401
Employee benefit obligations	1 891 000	1 891 000
	21 706 664	**21 706 664**

Reclassification

39. Commitments

Authorised capital expenditure

	2022	2021
Already Contracted for but not provided for:		
• Community assets	9 022 995	19 309 030
• Road and ICT Infrastructure	21 344 515	23 737 912
	30 367 510	**43 046 942**

	2022	2021
Total capital commitments		
Already contracted for but not provided for:	30 367 510	43 046 942

Total commitments

	2022	2021
Total commitments		
Authorised capital expenditure	30 367 510	43 046 942

40. Contingencies

The municipality has no pending contigent liabilities

Figures in Rand	2022	2021

41. Related parties

Relationships	Mr S.V. Mthethwa- Superintendent Mr D.S. Mthembu - Chief Traffic Officer Ms A.S Shandu - Senior Manager Corporate Mr V.G. Mdletshe - Financial Manager King Cetshwayo District Municipality- District municipality
Management remuneration	Refer to 24
Council remuneration	Refer to note 25

Related party balances

	2022	2021
Amounts included in Property Rates regarding Related Party		
Mr S.V. Mthethwa	595	6 843
Mr V.G. Mdletshe	(328)	743
Ms A.S Shandu	189	1 972

Amounts stipulated as property rates are the amounts that the municipality employees are owing/ (being owed to employees) as at 30 June 2022.

	2022	2021
Amounts included in interest income regarding Related Party		
Mr V.G. Mdletshe	-	4

The amount stipulated as Interest income is the amount that has been charged on municipal debt to the employed

	2022	2021
Amounts included in Rental of Premises regarding Related Party		
Mr D.S. Mthembu	-	-

The amount stipulated as rental on premises is the rent that the employee is owing for the current financial year.

No councillors nor key management own properties whose rates are levied on in the municipality's jurisdiction for the year besides those mentioned above.

No councillors nor key management owed the municipality in respect of traffic fines as at 30 June 2022.

	2022	2021
Amounts incurred in waste removal and water usage with related party		
King Cetshwayo district municipality	44 172	78 751

King Cetshwayo district municipality is a district municipality that provides services of water and waste removal to the municipality and the amounts stipulated as waste removal and water usage is the amount owing as at 30 June 2022.

Management information

Class	Number
Hon. Mayor	1
Non-executive board members	3
Hon Speaker	1
Mayor	1
Councillors	28
MPAC	1
Chief Whip	1
Accounting Officer	1

Figures in Rand	2022	2021

42. Prior-year adjustments

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

Statement of financial position

2021

	Note	As previously reported	Correction of error	Re-classification	Restated	
Property Plant and Equipment		361 729 897	4 694 522	51 853	366 476 272	[1]
Other financial liabilities		5 364 206	(134 989)	-	5 229 217	[2]
Intangible Assets		2 033 473	(1 342 496)	(51 853)	639 124	[3]
Payables from Exchange transactions		9 349 570	1 899 476	-	11 249 046	[4]
Accumulated surplus		391 064 805	3 182 424	-	394 247 229	[9]
Receivables from Exchange transactions		1 150 681	46 192	-	1 196 873	[9]
Receivables from Non Exchange transactions		12 101 650	(2 074 691)	-	10 026 959	[9]
VAT Receivable		8 515 480	(539 438)	-	7 976 042	[10]
		791 309 762	**5 731 000**	-	**797 040 762**	

Statement of financial performance

2021

	As previously reported	Correction of error	Re-classification	Restated	
Employee related costs	71 056 577	262 243	250 999	71 569 819	[5]
Contracted services	44 403 702	1 073 425	-	45 477 127	[6]
Finance cost	866 264	(35 720)	-	830 544	[7]
Depreciation and amortisation	20 754 005	(1 075 540)	-	19 678 465	[1]
Operational costs	30 209 888	-	(250 999)	29 958 889	[8]
Debt impairment	6 870	971 108	-	977 978	[9]
	167 297 306	**1 195 516**	-	**168 492 822**	

Nature of prior period errors

[1.1] During the review of the repairs and maintanace on the general ledger accounts, a transaction which relates to Nhlabane Ablution facility was identified as a misallocation and corrected during the current financial year.

[1.2] During the review of Capital projects, it was noted that there was a duplicate payment made for Ntongonya Access Road. This resulted in the project balance being overstated.

[1.3] During the 2021/22 financial period, it was identified by the Municipality that the PMS which has impacted on the cost and accumulated amortisation balances disclosed in the Financial Statements.

The Municipality further capitalised microsoft 365 licenses incorrectly during the previous financial periods. A prior period error was recognised as a result of this to derecognise the asset which was capitalised incorrectly as well as the amortisation.

[1.4] A conditional assessment was performed on assets which had reached the end of their useful lives during the end of the financial period, but were still in use.

42. Prior-year adjustments (continued)

[1.5] During the verification of assets, there were some assets found on the ground which had asset register of the Municipality. These assets were brought into the register during the current financial period.

[1.6] During the verification of assets, there were some assets found on the ground which had asset register of the Municipality. These assets were brought into the register during the current financial period.

[1.7] The retentions liability which had previously been disclosed as payable for Thusong centre and Umfolozi Testing Ground has been derecognised as an obligation by the municipality due to there no longer being an obligation to pay the monies to the consultants.

[2] During the current financial year a recalculation on the Absa loan has been made on the interest of the Absa long term loan.

[3] In prior year microsoft 365 was recognised as an Intangible assets. As a result a derecognition microsoft 365 by R1 342 496 was performed.

[4.1] During the current financial year a duplicate of payment for Ntongonya access road was reversed.

[4.2] During the financial year a calculation for accrued bonus provision was performed and a prior year adjustment was made as a result.

[5] A reallocation of Current service cost was made during the current financial year which affected prior year by R251 000 and a further bonus provision was accounted for of R262 242.

[6.1] During the financial year a review was made into the repairs and maintanance account and a duplicate payment was identified and corrected as a prior year adjustment.

[6.2] During the financial year a review, the municipality identified the PMS System of an expense in nature and prior period adjustment was made as a result.

[6.3] In the 2021/2022 Financial year an invoice of Thokomela engineering and Zululand fire and protection association was captured which was for a period of 2020/2021 and as a result a prior adjustment was made.

[7] Finance cost has been adjusted by R35 720 as a result of prior period error on the Absa long term loan calculation.

[8] In the current financial year a review on consumable account indicated a misclassification of Operational costs has increased by R250 999 which was as a result of a figure in consumables being reallocated to current service cost.

[9] Recievables from exchange transaction and non exchange consists of impairment recalculation using the new methodology.

[10] During the year under review there were retentions of Thusong testing centre and umfolozi testing ground that were reversed and the VAT portion of the retentions was also reversed.

43. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department (municipality treasury) under policies approved by the Accounting Officer. The Accounting Officer provides written principles for overall risk management.

Figures in Rand	2022	2021

43. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Other Financial Liabilities	4 491 174	5 229 217
Trade Payables from Exchange Transactions	15 413 584	11 245 046
	19 904 758	**16 474 263**

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

Cash and cash equivalents	21 760 836	32 251 293
Trade and other receivables	12 474 398	11 223 832
	34 235 234	**43 475 125**

44. Going concern

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

South Africa is on Coronavirus COVID-19 Alert level 1 and the municipality will continue as a going concern as it is part of the institutions that supply essential services to the communities it serves.The municipality has also received their Grants and will continue to receive grants in the foreseeable future

45. Events after the reporting date

Recievables from Non-Exchange transactions of R11 657 825 which were for traffic fines were written off by the executive committee which has sat on the 31st of August 2022.The was figure of R559 634 for Other recievables has also been put to council on the 31st of August 2022 for write off .

46. Unauthorised expenditure

Opening balance as previously reported	124 976 689	115 288 800
Opening balance as previously reported	**124 976 689**	**115 288 800**
Add: Unauthorised Expenditure - current year	23 566 843	9 687 889
Closing balance	**148 543 532**	**124 976 689**

47. Fruitless and wasteful expenditure

Opening balance as previously reported	1 357 419	1 342 129
Opening balance as previously reported	**1 357 419**	**1 342 129**
Add: Repairs to vehicles	576 635	-
Add: interests	2 207	15 290
Closing balance	**1 936 261**	**1 357 419**

Interest was incurred on overdue accounts and repairs and payments made to damages of hired vehicles.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

48. Irregular expenditure

Opening balance as previously reported	122 896 256	144 890 789
Opening balance as previously reported	**122 896 256**	**144 890 789**
Add: Irregular Expenditure - current	53 670 457	45 001 629
Less: Amounts recoverable - current	-	(66 996 162)
Less: Amount written off - current	(45 001 629)	-
Closing balance	**131 565 084**	**122 896 256**

The amount is a result of contracts which were renewed but could not meet the requirements of Section 116. Such contracts had a term or a period attached to them and could not be cancelled because there is no clause on contracts which allows for termination based on poor performance or poor services delivered. Such amounts has been submitted to council for write-off on the 9th of December 2021.

After council committee meeting, council adopted the council committee recommendation to write-off an amount of R45 001 629 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Current year subscription / fee	854 205	948 605
Amount paid - current year	(854 205)	(948 605)
	-	-

Audit fees

Current year subscription / fee	2 425 199	2 219 331
Amount paid - current year	(2 425 199)	(2 219 331)
	-	-

PAYE and UIF

Current year subscription / fee	14 264 160	11 046 008
Amount paid - current year	(14 264 160)	(11 046 008)
	-	-

VAT

VAT receivable	6 576 856	8 515 485

VAT output payables and VAT input receivables are shown in note .

VAT

VAT receivable	72 446 992	61 657 425
VAT payable	66 408 880	53 681 383
	138 855 872	**115 338 808**

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

49. Actual capital expenditure versus budgeted capital expenditure (continued)

Supply chain management regulations

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

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

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Current year Deviations for under Regulation 36		
Emergency procurement	2 463 819	1 958 764
Sole supplier/single services	274 442	95 197
	2 738 261	**2 053 961**

50. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas:

- Community and social services
- Energy Sources and Environmental Protection
- Executive and Council
- Finance and Adminstration
- Planning and Development
- Public Safety
- Road Transport
- Sports and Recreation
- Waste Management

The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes..

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

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Community and social services	Enerygy Sources and Environmental Protection	Executive and Council	Finance and Adminstration	Planning and Development	Public Safety	Road Transport	Sports and Recreation	Waste Management	Total
Revenue										
Service Charges	-	-	-	-	-	-	-	-	666 705	666 705
Rental of facilities and equipment	-	-	-	777 059	-	-	-	-	-	777 059
Licences and permits	-	-	-	4 847	-	323 591	-	-	-	328 438
Operational Revenue	-	-	-	314 141	-	-	-	-	-	314 141
Interest revenue	-	-	-	3 358 728	-	-	-	-	-	3 358 728
Property Rates	-	-	-	25 634 672	-	-	-	-	-	25 634 672
Government grants and subsides	3 037 000	-	-	149 546 000	-	-	42 526 000	7 485 653	1 557 722	204 152 375
Fines, Penalties and Forfeits	726	-	-	534 550	-	-	-	-	-	535 276
Donation income	-	-	-	1 010 143	-	-	-	-	-	1 010 143
Expected return on employee benefits	-	-	-	270 060	-	-	-	-	-	270 060
Total segment revenue	**3 037 726**	**-**	**-**	**181 450 200**	**-**	**323 591**	**42 526 000**	**7 485 653**	**2 224 427**	**237 047 597**
Entity's revenue										**237 047 597**

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information (continued)

	Community and social services	Enerygy Sources and Environmental Protection	Executive and Council	Finance and Adminstration	Planning and Development	Public Safety	Road Transport	Sports and Recreation	Waste Management	Total
Expenditure										
Employee related costs	11 873 197	-	6 832 500	25 139 506	6 744 398	11 873 697	7 658 757	11 825	3 923 772	74 057 652
Remuneration of councillors	-	-	12 197 381	-	-	-	-	-	-	12 197 381
Depreciation and amortisation	5 569 055	-	-	3 297 363	-	130 884	13 791 418	-	-	22 788 720
Finance costs	-	-	-	616 871	-	-	-	-	-	616 871
Lease rental on operating lease	-	-	37 708	927 164	-	-	-	-	-	964 872
Debt impairment	-	-	-	1 141 734	-	-	-	-	-	1 141 734
Contracted services	4 093 976	541 862	13 140 999	30 702 225	1 016 106	246 651	5 597 830	-	4 210 273	59 549 922
Transfers and subsidies	290 008	-	532 839	-	-	-	-	-	-	822 847
Operational costs	1 287 752	865 274	12 505 902	27 469 415	3 104 738	895 326	297 748	117	1 155 407	47 581 679
Loss on disposal of assets and liabilities	-	-	-	87 122	-	-	-	-	-	87 122
Actuarial gains/losses	-	-	-	(31 940)	-	-	-	-	-	(31 940)
Impairment loss	-	-	-	-	-	-	10 310 927	-	-	10 310 927
Total segment expenditure	**23 113 988**	**1 407 136**	**45 247 329**	**89 349 460**	**10 865 242**	**13 146 558**	**37 656 680**	**11 942**	**9 289 452**	**230 087 787**
Total segmental surplus/(deficit)										**6 959 810**

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information (continued)

	Community and social services	Enerygy Sources and Environmental Protection	Executive and Council	Finance and Adminstration	Planning and Development	Public Safety	Road Transport	Sports and Recreation	Waste Management	Total
Assets										
Receivables from Exchange Transactions	-	-	-	1 119 414	-	-	-	-	510 729	1 630 143
Receivables from Non-Exchange Transactions	-	-	-	10 844 255	-	-	-	-	-	10 844 255
VAT Receivable	-	-	-	6 038 112	-	-	-	-	-	6 038 112
Cash and cash equivalents	-	-	-	21 760 836	-	-	-	-	-	21 760 836
Property, plant and equipment	105 091 076	97 811	-	88 414 036	93 015	4 120 384	124 034 590	62 476 180	3 834 693	388 161 785
Intangible assets	-	-	-	416 213	-	-	-	-	-	416 213
Total segment assets	**105 091 076**	**97 811**	**-**	**128 592 866**	**93 015**	**4 120 384**	**124 034 590**	**62 476 180**	**4 345 422**	**428 851 344**
Total assets as per Statement of financial Position										**428 851 344**
Liabilities										
Other financial liabilities	-	-	-	4 491 174	-	-	-	-	-	4 491 174
Payables from exchange transactions	-	-	-	15 413 584	-	-	-	-	-	15 413 584
Unspent conditional grants	-	-	-	1 030 296	-	-	-	-	-	1 030 296
Retentions	-	-	-	4 707 252	-	-	-	-	-	4 707 252
Employee benefit obligations	-	-	-	2 002 000	-	-	-	-	-	2 002 000
Total segment liabilities	**-**	**-**	**-**	**27 644 306**	**-**	**-**	**-**	**-**	**-**	**27 644 306**
Total liabilities as per Statement of financial Position										**27 644 306**

50. Segment information (continued)

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

2021

	Community and social services	Enerygy Sources and Environmental Protection	Executive and Councilt	Finance and Adminstration	Planning and Development	Public Safety	Road transport	Sports and Recreation	Waste Management	Total
Revenue from exhange transactions										
Service charges	-	-	-	-	-	-	-	-	597 603	597 603
Rental of facilities and equipment	-	-	-	905 390	-	-	-	-	-	905 390
Licenses and permits	-	-	-	5 051	-	-	14 469	-	-	19 520
Operational revenue	-	-	-	456 140	-	-	-	-	-	456 140
Investment revenue	-	-	-	2 772 460	-	-	-	-	-	2 772 460
Expected returns on employee benefits	-	-	-	314 000	-	-	-	-	-	314 000
Property rates	-	-	-	23 839 776	-	-	-	-	-	23 839 776
Government grants and subsidies	2 898 000	-	-	168 448 000	-	-	-	-	54 311 962	225 657 962
Fines penalties and forfeits	-	-	-	2 000	-	73 200	-	-	-	75 200
Total segment revenue	**2 898 000**	**-**	**-**	**196 742 817**	**-**	**73 200**	**14 469**	**-**	**54 909 565**	**254 638 051**
		Community and social services	Finance and administration	Public safety	Water Management	Finance and administration	Water Management	Water Management		-
Entity's revenue										**254 638 051**

50. Segment information (continued)

Expenditure										
Employee related costs	11 952 052	-	6 401 727	35 236 149	5 090 431	7 981 418	-	501 885	4 406 157	71 569 819
Remuneration of councillors	-	-	11 227 222	-	-	-	-	-	-	11 227 222
Depreciation and amortisation	5 494 357	-	-	3 730 537	-	-	10 394 678	-	49 465	19 669 037
Finance costs	-	-	-	830 544	-	-	-	-	-	830 544
Lease rental on operating lease	-	-	57 525	584 998	-	-	-	-	-	642 523
Debt impairment	-	-	-	977 978	-	-	-	-	-	977 978
Contracted services	5 921 869	396 157	12 284 222	20 948 739	2 725 294	537 927	-	-	2 662 919	45 477 127
Transfers and subsidies	-	-	376 076	-	-	709 799	-	-	-	1 085 875
Operation costs	1 508 340	1 552 191	8 001 820	17 557 114	684 317	385 749	-	4 133	265 224	29 958 888
Loss on disposal	-	-	-	42 817	-	-	-	-	-	42 817
Actuarial gains/losses	-	-	-	231 000	-	-	-	-	-	231 000
Total segment expenditure	**24 876 618**	**1 948 348**	**38 348 592**	**80 139 876**	**8 500 042**	**9 614 893**	**10 394 678**	**506 018**	**7 383 765**	**181 712 830**
Total segmental surplus/(deficit)										**72 925 221**
Assets										
Receivables from Exchange transactions	-	-	-	689 029	-	-	-	-	507 844	1 196 873
Receivables from non-exchange transactions	-	-	-	10 026 959	-	-	-	-	-	10 026 959
VAT receivables	-	-	-	7 976 042	-	-	-	-	-	7 976 042
Cash and cash equivalents	-	-	-	35 251 293	-	-	-	-	-	35 251 293
Property, plant and equipment	80 095 134	97 810	-	91 378 295	209 667	1 586 850	129 186 086	58 096 184	5 826 246	366 476 272
Intangible assets	-	-	-	639 124	-	-	-	-	-	639 124
Total segment assets	**80 095 134**	**97 810**	**-**	**145 960 742**	**209 667**	**1 586 850**	**129 186 086**	**58 096 184**	**6 334 090**	**421 566 563**
Total assets as per Statement of financial Position										**421 566 563**

50. Segment information (continued)

	Community and social services	Enerygy Sources and Environmental Protection	Executive and Councilt	Finance and Adminstration	Planning and Development	Public Safety	Road transport	Sports and Recreation	Waste Management	Total
Liabilities										
Payables from exchange transactions	-	-	-	11 245 046	-	-	-	-	-	**11 245 046**
Unspent conditional grants and subsidies	-	-	-	372 498	1 420 764	-	3 819 407	-	-	**5 612 669**
Retention	-	-	-	3 341 401	-	-	-	-	-	**3 341 401**
Other financial liabilities	-	-	-	5 229 217	-	-	-	-	-	**5 229 217**
Employee benefit obligations	-	-	-	1 891 000	-	-	-	-	-	**1 891 000**
Total segment liabilities	-	-	-	**22 079 162**	**1 420 764**	-	**3 819 407**	-	-	**27 319 333**
Total liabilities as per Statement of financial Position										**27 319 333**

Description of segments and principal activities

Community and social services

Provision of an acceptable standard of social services, environmental and and health services, Emergency services, Community safety and road traffic management.

Enerygy Sources and Environmental Protection

This segment consists of all services for energy supply to the communities by providing a link between Eskom and electricity consumers through electrification programmes entered into between the municipality and Eskom. Facilitating campaigns for environmental protection in the community.

Executive and council

This segment consists of services such as executive services, support services to the executive and finanace and administration services .

50. Segment information (continued)

Finance and administration

Provision of financial and administrative services to other segments of the municipality.

Planning and development

Provision of planning and development including policies and procedures.Cordinating work relating to the preparation of the Annual Developmental Programme and its review.

Public safety

This segment consists of various departments with aligned objectives.It is reponsible to the public for Traffic Enforcement, and Crime prevention.

Road Transport

Construction and maintanance of roads and infrastructures owned by the municipality

Sports and recreation

Provision of advancement of participation in sports and recreation, fast-tracking the revival of sport, talent identification and optimization of talent empowerment programme.

Waste Management

Collection and diposal of waste in a safe manner as required by legislation. Ensure the general cleanliness in the communities' streets, public spaces and rivers.

Measurement of segment surplus or deficit, assets and liabilities

Centrally incurred assets, liabilities, revenue and expenditure

Value added tax, cash, investments, borrowings, unspent grants have not been allocated to individual segments as these are managed centrally by the finance department. Similarly, external interest related to cash, investments or borrowings are not allocated to individual segments. All these items are allocated to the Finance and Adminstration segment.

51. Budget differences

Material differences between budget and actual amounts

A.1 Rental of facilities and equipment

Some of the lease agreement has not been concluded by both parties but the premises are occupied by the tenants.More funds were expected from rental of the facilities during the current year,however at the end of the financial year the actual fund collected were less than budgeted.

A.2 Property Rates

The KwaMbonambi Secondary school has not been registered on the general valuation roll of the municipality.The Value of the school is not yet established. The municipality is still waiting for verification by the municipal valuer and KZN Department of Public Works.It was anticipated during the budget that the issue would have been finalised however it is not and billing has not taken place.

A.3 Fines ,Penalties and forfeits

The municipality has under budgeted for the tickets due to Covid-19 restrictions,however the restrictions were eased during the financial year which enabled the municipality to make collections.

A.4 Depreciation and amortisation

Depreciation has increased because more projects has been completed and were being depreciated as a result.

A.5 Operational costs

The was newly elected councillors that had to attend trainings and inductions and as a result the municipality incurred more travel and training fees.There was an increase in fuel prices during the financial year.The muncipality had to advertise and rebrand due to council inauguration.

The Professional fees for audit has increased for the current year.

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2022											
Financial Performance											
Property rates	28 233 493	-	28 233 493	-		28 233 493	25 634 672		(2 598 821)	91 %	91 %
Service charges	723 450	-	723 450	-		723 450	666 705		(56 745)	92 %	92 %
Investment revenue	2 603 747	-	2 603 747	-		2 603 747	3 358 728		754 981	129 %	129 %
Transfers recognised - operational	155 516 300	491 517	156 007 817	-		156 007 817	154 178 328		(1 829 489)	99 %	99 %
Other own revenue	1 445 200	605 000	2 050 200	-		2 050 200	3 267 057		1 216 857	159 %	226 %
Total revenue (excluding capital transfers and contributions)	**188 522 190**	**1 096 517**	**189 618 707**	**-**		**189 618 707**	**187 105 490**		**(2 513 217)**	**99 %**	**99 %**
Employee costs	(76 078 911)	2 684 611	(73 394 300)	-	-	(73 394 300)	(74 057 652)	-	(663 352)	101 %	97 %
Remuneration of councillors	(11 856 362)	(1 854 509)	(13 710 871)	-	-	(13 710 871)	(12 197 381)	-	1 513 490	89 %	103 %
Debt impairment	(2 542 000)	-	(2 542 000)			(2 542 000)	(1 141 734)	-	1 400 266	45 %	45 %
Depreciation and asset impairment	(17 213 229)	-	(17 213 229)			(17 213 229)	(23 655 831)	-	(6 442 602)	137 %	137 %
Finance charges	(547 000)	-	(547 000)	-	-	(547 000)	(616 871)	-	(69 871)	113 %	113 %
Lease rental on operating lease	(700 000)	(20 000)	(720 000)	-	-	(720 000)	(964 872)	-	(244 872)	134 %	138 %
General Expenses	(36 669 722)	1 264 307	(35 405 415)	-	-	(35 405 415)	(47 057 801)	-	(11 652 386)	133 %	128 %
Contracted services	(40 493 330)	(16 565 385)	(57 058 715)	-	-	(57 058 715)	(59 549 922)	-	(2 491 207)	104 %	147 %
Transfers and grants	(1 450 000)	780 000	(670 000)	-	-	(670 000)	(822 847)	-	(152 847)	123 %	57 %
Inventory consumed	(2 364 500)	367 275	(1 997 225)	-	-	(1 997 225)	(1 854 370)	-	142 855	93 %	78 %
Total expenditure	**(189 915 054)**	**(13 343 701)**	**(203 258 755)**	**-**	**-**	**(203 258 755)**	**(221 919 281)**	**-**	**(18 660 526)**	**109 %**	**117 %**
Surplus/(Deficit)	**(1 392 864)**	**(12 247 184)**	**(13 640 048)**	**-**		**(13 640 048)**	**(34 813 791)**		**(21 173 743)**	**255 %**	**2 499 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	26 149 700	(26 149 700)	-	-		-	49 974 047		49 974 047	DIV/0 %	191 %
Loss on disposal of municipal assets	-	-	-	-		-	(87 122)		(87 122)	DIV/0 %	DIV/0 %
Impairment lossl	-	-	-	-		-	(4 300 675)		(4 300 675)	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**24 756 836**	**(38 396 884)**	**(13 640 048)**	**-**		**(13 640 048)**	**10 772 459**		**24 412 507**	**(79)%**	**44 %**
Surplus/(Deficit) for the year	**24 756 836**	**(38 396 884)**	**(13 640 048)**	**-**		**(13 640 048)**	**10 772 459**		**24 412 507**	**(79)%**	**44 %**

Capital expenditure and funds sources

	Original budget	Budget adjustments	Final adjustments budget	Shifting of funds	Virement	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	26 149 700	(26 149 700)	-	-		-	663 348		663 348	DIV/0 %	3 %

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	18 146 490	-	18 146 490	-		18 146 490	40 886 785		22 740 295	225 %	225 %
Net cash from (used) investing	(30 838 200)	-	(30 838 200)	-		(30 838 200)	(53 639 200)		(22 801 000)	174 %	174 %
Net cash from (used) financing	(676 676)	-	(676 676)	-		(676 676)	(738 043)		(61 367)	109 %	109 %
Net increase/(decrease) in cash and cash equivalents	**(13 368 386)**	**-**	**(13 368 386)**	**-**		**(13 368 386)**	**(13 490 458)**		**(122 072)**	**101 %**	**101 %**
Cash and cash equivalents at the beginning of the year	23 960 224	(23 960 224)	-	-		-	35 251 294		35 251 294	DIV/0 %	147 %
Cash and cash equivalents at year end	**10 591 838**	**(23 960 224)**	**(13 368 386)**	**-**		**(13 368 386)**	**21 760 836**		**(35 129 222)**	**(163)%**	**205 %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2021				
Financial Performance				
Property rates				23 839 776
Service charges				597 603
Investment revenue				2 772 460
Transfers recognised - operational				173 314 885
Other own revenue				1 770 250
Total revenue (excluding capital transfers and contributions)				**202 294 974**
Employee costs	-	-	-	(71 569 819)
Remuneration of councillors	-	-	-	(11 227 222)
Debt impairment	-	-	-	(977 978)
Depreciation and asset impairment	-	-	-	(19 669 037)
Finance charges	-	-	-	(830 544)
Transfers and grants	-	-	-	(1 085 875)
Other expenditure	-	-	-	(76 352 356)
Total expenditure	**-**	**-**	**-**	**(181 712 831)**
Surplus/(Deficit)				**20 582 143**
Transfers recognised - capital				52 343 077
Surplus (Deficit) after capital transfers and contributions				**72 925 220**
Surplus/(Deficit) for the year				**72 925 220**
Capital expenditure and funds sources				
Total capital expenditure				8 262 197

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				89 033 617
Net cash from (used) investing				(56 554 318)
Net cash from (used) financing				(2 323 390)
Net increase/(decrease) in cash and cash equivalents				**30 155 909**
Cash and cash equivalents at the beginning of the year				5 095 384
Cash and cash equivalents at year end				**35 251 293**