MTHONJANENI
MUNICIPALITY

MTHONJANENI LOCAL MUNICIPALITY

(REGISTRATION NUMBER KZN 285)

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act No, 117 of 1998)
Executive Committee	
Executive Mayor	Cllr M.N. Biyela (Mayor) Cllr P.E. Ntombela (Deputy Mayor) Cllr N.A. Mbatha (Speaker) Cllr N.P. Shobede (Exco Member) Cllr B.M.T Sibiya (Exco Member) Cllr P.S.M Mchunu (Exco Member)
Councillors	Cllr S.V. Majola (MPAC Chair) Cllr S.K. Mthimkhulu (Whip) Cllr B.K. Ngema (Resigned: 23rd November 2021) Cllr S.M. Khuzwayo Cllr S.S. Mnguni Cllr S.H. Shange Cllr K.T. Mkhize Cllr D. Ntsele Cllr N. Nzuza (Withdrawn 29 April 2022) Cllr Z. Zulu Cllr M.V. Mchunu Cllr M.E. Ntshangase Cllr N.S. Ntuli Cllr S M Ndlovu Cllr T.H. Mchunu Cllr I.M. Biyela Cllr J.K. Mdlalose (Deceased 25 May 2022) Cllr T.E. Mpungose Cllr N.S. Magwaza Cllr. S.B.K Biyela (Joined 1st December 2021)
Councillors Terminated on 09 November 2021	Cllr D.M. Dludla Cllr T.F. Zincume Cllr J. Mlawu Cllr Z.A. Sibiya Cllr D.F. Xulu Cllr B.N. Zwane Cllr H.K.L Zungu Cllr N.N. Nzuza Cllr M.N. Ndlangamandla Cllr S.P. Buthelezi Cllr Z.M. Mazibuko Cllr. M.J. Xulu
Grading of Local Authority	Grade 1
Accounting Officer	Mr Z.S Mthethwa
Chief Finance Officer (CFO)	Mr N.M. Myeni

General Information

Business Address	21 Reinhold Street Melmoth 3835
Postal Address	P.O. Box 11 Melmoth 3835
Contact Number	(035) 450 2082
Banker	First National Bank
Auditor	Auditor General South Africa
Attorney	BMM Attorneys

Index

The reports and statements set out below comprise the annual financial statements

Abbreviations used:

GRAP	Generally Recognised Accounting Practice
SALGA	South African Local Government Association
MFMA	Municipal Finance Management Act
MEC	Member of the Executive Council
MIG	Municipal Infrastructure Grant (Previously CMIP)
UIF	Unemployment Insurance Fund

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the period to 30 June 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.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the note titled remuneration of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of the Public Office Bearers Act and the Minister of Provincial and Local Governments' determination in accordance with this Act.

The annual financial statements set out on pages 5 to 87, which have been prepared on the going concern basis, were approved by the and signed on its behalf by:

Mr Z.S Mthethwa
Accounting Officer

Statement of Financial Position as at 30 June 2022

Figures in Rand	Notes	2022	2021 Restated*
ASSETS			
Current Assets			
Inventories	3	643 891	971 780
Receivables from Non-Exchange Transactions	4	21 827 421	22 149 943
VAT receivable	5	2 500 283	4 974 641
Receivables from Exchange Transactions	6	4 007 324	5 690 235
Cash and cash equivalents	7	3 629 730	4 662 192
		32 608 649	**38 448 791**
Non-Current Assets			
Biological Assets	8	2 096 166	1 897 269
Investment Property	9	57 356	75 135
Property, Plant and Equipment	10	419 951 713	398 606 946
Intangible Assets	11	47 129	62 534
Heritage Assets	12	589	589
		422 152 953	**400 642 473**
TOTAL ASSETS		**454 761 602**	**439 091 264**
LIABILITIES			
Current Liabilities			
Payables from exchange transactions	13	44 014 904	24 761 568
Consumer deposits	14	1 008 109	996 692
Unspent conditional grants and receipts	15	100 000	1 830 944
Provisions	16	5 769 796	7 720 506
Employee benefit obligation	17	226 674	325 127
		51 119 483	**35 634 837**
Non-Current Liabilities			
Provisions	16	4 744 626	4 360 113
Employee benefit obligation	17	5 175 163	5 808 454
		9 919 789	**10 168 567**
TOTAL LIABILITIES		**61 039 272**	**45 803 404**
NET ASSETS		**393 722 330**	**393 287 860**
ACCUMULATED SURPLUS		393 722 330	393 287 860
Total Net Assets		**393 722 330**	**393 287 860**

* See Note 54

Statement of Financial Performance

Figures in Rand	Notes	2022	2021 Restated*
REVENUE			
Revenue From Exchange Transactions			
Service Charges	19	28 016 834	23 854 475
Rental of Facilities and Equipment	20	254 958	213 920
Licences and Permits	21	1 552 616	1 680 211
Other Income	22	2 899 461	1 647 537
Interest Received	23	887 404	814 600
Fair Value Adjustments	24	198 897	686 195
Actuarial Gains	17	627 274	-
TOTAL REVENUE FROM EXCHANGE TRANSACTIONS		**34 437 444**	**28 896 938**
Revenue From Non-Exchange Transactions			
Taxation revenue			
Property Rates	25	22 511 627	21 934 277
Property Rates - Penalties Imposed	25	1 336 724	1 115 802
Transfer revenue			
Government Grants & Subsidies	26	142 165 943	137 086 191
Fines, Penalties and Forfeits	27	398 200	195 240
TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS		**166 412 494**	**160 331 510**
TOTAL REVENUE		**200 849 938**	**189 228 448**
EXPENDITURE			
Employee Related Costs	28	(58 712 710)	(57 046 007)
Remuneration of Councillors	29	(8 949 874)	(9 998 814)
Depreciation and Amortisation	30	(24 264 594)	(22 409 021)
Asset Impairment	31	(7 376)	-
Interest Paid	32	(235 466)	(364 678)
Lease Rentals on Operating Lease	33	(1 225 787)	(477 284)
Bad Debts Written-Off	34	(9 651 776)	(378 738)
Bulk Purchases	35	(22 585 991)	(19 361 792)
Contracted Services	36	(43 698 553)	(26 482 001)
Loss on Disposal of Assets		-	(29 143)
Actuarial Losses		-	(1 379 636)
Operational Costs	37	(31 083 339)	(25 410 846)
TOTAL EXPENDITURE		**(200 415 466)**	**(163 337 960)**
SURPLUS FOR THE PERIOD		**434 472**	**25 890 488**

* See Note 54

Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total net assets
Balance at 01 July 2020	**384 702 218**	**384 702 218**
Changes in net assets		
Prior year adjustments	(17 304 846)	(17 304 846)
Net income (losses) recognised directly in net assets	(17 304 846)	(17 304 846)
Surplus for the year	25 890 488	25 890 488
Total recognised income and expenses for the year	8 585 642	8 585 642
Total changes	8 585 642	8 585 642
Restated* Balance at 01 July 2021	**393 287 858**	**393 287 858**
Changes in net assets		
Surplus for the year	434 472	434 472
Total Changes	434 472	434 472
Balance at 30 June 2022	**393 722 330**	**393 722 330**

* See Note 54

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Rates		22 511 627	17 247 672
Sale of goods and services		25 657 341	19 717 786
Grants		140 434 999	138 917 135
Interest income		887 404	814 600
Cash Receipts from Disposal of Property, Plant and Equipment		-	2 177 035
		189 491 371	178 874 228
Payments			
Employee costs		(65 574 333)	(67 148 798)
Suppliers		(79 354 189)	(76 146 067)
Interest paid		(235 466)	(201 340)
		(145 163 988)	(143 496 205)
Net cash flows from operating activities	39	**44 327 383**	**35 378 023**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(45 359 845)	(36 307 698)
Proceeds from sale of property, plant and equipment	10	-	777 573
Net cash flows from investing activities		**(45 359 845)**	**(35 530 125)**
Net increase/(decrease) in cash and cash equivalents		**(1 032 462)**	**(152 101)**
Cash and cash equivalents at the beginning of the year		4 662 192	4 814 293
Cash and cash equivalents at the end of the year	7	**3 629 730**	**4 662 192**

* See Note 54

Mthonjaneni Local Municipality

(Registration number KZN 285)
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
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	36 063 019	-	**36 063 019**	28 016 834	**(8 046 185)**	A 1
Rental of facilities and equipment	450 000	-	**450 000**	254 958	**(195 042)**	
Licences and permits	2 208 070	-	**2 208 070**	1 552 616	**(655 454)**	
Other revenue	2 991 320	200 000	**3 191 320**	2 899 461	**(291 859)**	A 2
Gains	1 500 000	-	**1 500 000**	-	**(1 500 000)**	A 3
Interest received - investment	1 200 000	-	**1 200 000**	887 404	**(312 596)**	
Total revenue from exchange transactions	**44 412 409**	**200 000**	**44 612 409**	**33 611 273**	**(11 001 136)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	32 606 254	-	**32 606 254**	22 511 627	**(10 094 627)**	A 4
Property rates - penalties imposed	1 900 000	-	**1 900 000**	1 336 724	**(563 276)**	
Transfer revenue						
Government grants & subsidies	92 528 000	-	**92 528 000**	92 528 943	**943**	
Fines, Penalties and Forfeits	1 003 314	3 000 000	**4 003 314**	398 200	**(3 605 114)**	A 5
Total revenue from non-exchange transactions	**128 037 568**	**3 000 000**	**131 037 568**	**116 775 494**	**(14 262 074)**	
Total revenue	**172 449 977**	**3 200 000**	**175 649 977**	**150 386 767**	**(25 263 210)**	
Expenditure						
Employee Related Costs	(57 823 856)	(427 886)	**(58 251 742)**	(58 712 710)	**(460 968)**	
Remuneration of Councillors	(9 633 145)	(90 093)	**(9 723 238)**	(8 949 874)	**773 364**	
Inventory Consumed	(3 546 000)	(1 029 928)	**(4 575 928)**	-	**4 575 928**	
Depreciation and Amortisation	(18 287 069)	2 960 000	**(15 327 069)**	(24 264 594)	**(8 937 525)**	A 6
Impairment loss/ Reversal of impairments	-	-	-	(7 376)	**(7 376)**	
Finance costs	-	(50 000)	**(50 000)**	(235 466)	**(185 466)**	
Lease rentals on operating lease	-	-	-	(1 225 787)	**(1 225 787)**	
Debt Impairment	(6 725 848)	4 000 000	**(2 725 848)**	(9 651 776)	**(6 925 928)**	
Bulk purchases	(26 469 380)	4 984 000	**(21 485 380)**	(22 585 991)	**(1 100 611)**	
Contracted Services	(23 088 091)	(10 090 574)	**(33 178 665)**	(43 698 553)	**(10 519 888)**	A 7
General Expenses	(19 128 630)	(4 630 385)	**(23 759 015)**	(31 083 339)	**(7 324 324)**	A 8
Total expenditure	**(164 702 019)**	**(4 374 866)**	**(169 076 885)**	**(200 415 466)**	**(31 338 581)**	
Operating deficit	**7 747 958**	**(1 174 866)**	**6 573 092**	**(50 028 699)**	**(56 601 791)**	
Transfers and subsidies - capital (monetary allocations) (National/Provincial and District)	39 637 000	10 000 000	**49 637 000**	49 637 000	-	
Fair value adjustments	-	-	-	198 897	**198 897**	
Actuarial gains/losses	-	-	-	627 274	**627 274**	
	39 637 000	**10 000 000**	**49 637 000**	**50 463 171**	**826 171**	

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
Surplus before taxation	**47 384 958**	**8 825 134**	**56 210 092**	**434 472**	**(55 775 620)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**47 384 958**	**8 825 134**	**56 210 092**	**434 472**	**(55 775 620)**	

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
Statement of Financial Position						
Assets						
Current Assets						
Inventories	738 578	-	**738 578**	643 891	**(94 687)**	
Receivables from Non-Exchange Transactions	94 280 453	(85 310 812)	**8 969 641**	21 827 421	**12 857 780**	
VAT receivable	-	-	-	2 500 283	**2 500 283**	
Consumer debtors	39 378 458	5 317 604	**44 696 062**	4 007 324	**(40 688 738)**	
Cash and cash equivalents	15 722 705	(8 565 876)	**7 156 829**	3 629 730	**(3 527 099)**	
	150 120 194	**(88 559 084)**	**61 561 110**	**32 608 649**	**(28 952 461)**	
Non-Current Assets						
Biological assets	1 211 074	-	**1 211 074**	2 096 166	**885 092**	
Investment property	88 205	-	**88 205**	57 356	**(30 849)**	
Property, plant and equipment	420 782 994	8 335 543	**429 118 537**	419 951 713	**(9 166 824)**	
Intangible assets	223 400	-	**223 400**	47 129	**(176 271)**	
Heritage assets	589	-	**589**	589	-	
	422 306 262	**8 335 543**	**430 641 805**	**422 152 953**	**(8 488 852)**	
Total Assets	**572 426 456**	**(80 223 541)**	**492 202 915**	**454 761 602**	**(37 441 313)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	20 082 047	29 422 205	**49 504 252**	44 014 904	**(5 489 348)**	
Consumer deposits	1 077 000	(83 037)	**993 963**	1 008 109	**14 146**	
Employee benefit obligation	-	-	-	226 674	**226 674**	
Unspent conditional grants and receipts	-	-	-	100 000	**100 000**	
Provisions	-	-	-	5 769 796	**5 769 796**	
	21 159 047	**29 339 168**	**50 498 215**	**51 119 483**	**621 268**	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	5 175 163	**5 175 163**	
Provisions	6 075 000	-	**6 075 000**	4 744 626	**(1 330 374)**	
	6 075 000	-	**6 075 000**	**9 919 789**	**3 844 789**	
Total Liabilities	**27 234 047**	**29 339 168**	**56 573 215**	**61 039 272**	**4 466 057**	
Net Assets	**545 192 409**	**(109 562 709)**	**435 629 700**	**393 722 330**	**(41 907 370)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	47 384 958	499 585 374	**546 970 332**	393 722 330	**(153 248 002)**	
Total Net Assets	**47 384 958**	**499 585 374**	**546 970 332**	**393 722 330**	**(153 248 002)**	

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
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	25 909 245	-	**25 909 245**	22 511 627	**(3 397 618)**	
Service charges	23 417 130	-	**23 417 130**	25 657 341	**2 240 211**	
Other revenue	11 418 332	1 974 497	**13 392 829**	-	**(13 392 829)**	
Transfers and Subsidies - Operational	92 528 000	-	**92 528 000**	90 797 999	**(1 730 001)**	
Transfers and Subsidies - Capital	39 637 000	10 000 000	**49 637 000**	49 637 000	-	
Interest	-	2 349 010	**2 349 010**	887 404	**(1 461 606)**	
	192 909 707	**14 323 507**	**207 233 214**	**189 491 371**	**(17 741 843)**	
Payments						
Employee costs	(67 457 001)	(517 979)	**(67 974 980)**	(65 574 333)	**2 400 647**	
Suppliers	(68 686 176)	(14 362 800)	**(83 048 976)**	(79 354 189)	**3 694 787**	
Interest paid	-	-	-	(235 466)	**(235 466)**	
	(136 143 177)	**(14 880 779)**	**(151 023 956)**	**(145 163 988)**	**5 859 968**	
Net cash flows from operating activities	**56 766 530**	**(557 272)**	**56 209 258**	**44 327 383**	**(11 881 875)**	
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment	2 300 000	-	**2 300 000**	-	**(2 300 000)**	
Capital assets	(47 077 000)	(9 053 480)	**(56 130 480)**	(45 359 845)	**10 770 635**	
Net cash flows from investing activities	**(44 777 000)**	**(9 053 480)**	**(53 830 480)**	**(45 359 845)**	**8 470 635**	
Net increase/(decrease) in cash and cash equivalents	11 989 530	(9 610 752)	**2 378 778**	(1 032 462)	**(3 411 240)**	
Cash and cash equivalents at the beginning of the year	4 814 296	(152 104)	**4 662 192**	4 662 192	-	
Cash and cash equivalents at the end of the year	**16 803 826**	**(9 762 856)**	**7 040 970**	**3 629 730**	**(3 411 240)**	

Refer to note 56 for explanations of material differences between budget and actual.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

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 interim 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. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments 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 municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 17.

Allowance for doubtful debts

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.

1.5 Biological assets

The municipality recognises biological assets or agricultural produce when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

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

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

1.6 Investment property

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

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

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

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

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

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

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

Accounting Policies

1.6 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	40 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.7 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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:

Accounting Policies

1.7 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	10- 50 Years
Machinery and equipment	Straight-line	2-20 Years
Furniture and fixtures	Straight-line	2-15 Years
Transport Assets	Straight-line	3-25 Years
Computer equipment	Straight-line	3- 10 Years
Infrastructure	Straight-line	10- 120 Years
Community Assets	Straight-line	5-50 Years
Other property, plant and equipment	Straight-line	30 Years

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

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

1.8 Intangible assets

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

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.

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	3-10 Years

Accounting Policies

1.8 Intangible assets (continued)

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Heritage assets

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10 Financial instruments

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

1.10 Financial instruments (continued)

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

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

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

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the municipality.

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

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

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

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

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the municipality designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- combined instruments that are designated at fair value;

Accounting Policies

1.10 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

The contractual rights to the cash flows from the financial asset expire, are settled or waived;

The municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

The municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Accounting Policies

1.10 Financial instruments (continued)

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Accounting Policies

1.11 Statutory receivables (continued)

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

Accounting Policies

1.11 Statutory receivables (continued)

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

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

1.12 Tax

Value Added Tax

The municipality is registered with the South African Revenue Service (SARS) for VAT on the invoice basis in accordance with Section 15(2) of the Value Added Tax Act No. 81 of 1991.

1.13 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.

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.

1.14 Inventories

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

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

Accounting Policies

1.14 Inventories (continued)

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.15 Construction contracts and receivables

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

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

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

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

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

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

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

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

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

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

1.16 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.

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

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.

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

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

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

Accounting Policies

1.17 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.

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.

Accounting Policies

1.17 Employee benefits (continued)

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.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an 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 contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Accounting Policies

1.17 Employee benefits (continued)

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Accounting Policies

1.17 Employee benefits (continued)

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.18 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.

Accounting Policies

1.18 Provisions and contingencies (continued)

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 43.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Accounting Policies

1.19 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.

1.20 Revenue from exchange transactions

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

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

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

Measurement

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

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.

Accounting Policies

1.20 Revenue from exchange transactions (continued)

Interest

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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

1.21 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

1.21 Revenue from non-exchange transactions (continued)

Measurement

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

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

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

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

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

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

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

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

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.22 Investment income

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

1.23 Borrowing costs

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

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.25 Unauthorised expenditure

Unauthorised expenditure means:

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

Accounting Policies

1.25 Unauthorised expenditure (continued)

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

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

1.26 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 recognisded 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.

1.27 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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.

1.28 Budget information

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

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

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

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

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

Accounting Policies

1.28 Budget information (continued)

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.29 Related parties

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

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

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

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

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

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

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

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

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

1.30 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.

1.31 Government grants

Grants received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is no corresponding liability in respect of the related conditions.

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

Accounting Policies

1.31 Government grants (continued)

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

1.32 Expenditure

Classification of expenses:

Expenditure is classified according to nature or function.

Analysing expenses by nature

Analysing expenses by nature identifies costs and expenses in terms of their character and groups expenses according to the kinds of economic benefits or service potential received in incurring those expenses, irrespective of their application in the municipality's operations and/or where the expenses are incurred. The municipality therefore analyses the direct goods or services acquired or assets consumed.

Certain line items such are presented separately in the financial statements where the municipality presents an analysis of expenses by nature. These line items usually consist of a combination of different elements of expenditure by nature.

Analysing expenses by function

The entity's that presents its expenses based on the entity's functions will allocate the elements of expenses such as "labour costs", "consumable material" and "transport costs", among the functions of the entity, for example, "water", "electricity", "roads", "housing" and "administration" functions are presented, with each function including its share of total expenses.

The municipal has adopted to disclosure expenditure according to nature. Certain line items have been disclosed separately in accordance with GRAP 1 on Presentation of Financial Statements.

Notes to the Annual Financial Statements

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.

2.2 Standards and interpretations issued, but not yet effective

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of the revisions has not yet been set by the Minister of Finance.

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

The impact of this standard is currently being assessed.

iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.

2. New standards and interpretations (continued)

- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions have not yet been set.

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

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

The impact of this standard is currently being assessed.

iGRAP 21: The Effect of Past Decisions on Materiality

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called “items”).

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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.

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.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:
- 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.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

3. Inventories

Consumable stores	643 891	971 780

Inventory pledged as security

There is no inventory pledged as security.

4. Receivables from Non-Exchange Transactions

Gross Balances		
Traffic Fines	1 049 523	667 312
Other non-exchange receivables	412 560	412 560
Rates	29 558 283	29 483 263
	31 020 366	**30 563 135**
Less: Allowance for impairment		
Traffic Fines	(993 479)	(227 754)
Rates	(8 199 466)	(8 185 438)
	(9 192 945)	**(8 413 192)**
Net Balances		
Traffic Fines	56 044	439 558
Other non-exchange receivable	412 560	412 560
Rates	21 358 817	21 297 825
	21 827 421	**22 149 943**

Receivables from Non-Exchange Transactions pledged as security.

There are no Receivables from Non- Exchange Transactions pledged as security.

Current assets	21 827 421	22 149 943

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Gross balances	30 607 806	30 150 575
Allowance for impairment	(9 192 945)	(8 413 192)
	21 414 861	**21 737 383**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

4. Receivables from Non-Exchange Transactions (continued)

Rates		
Current (0-30 days)	1 273 026	2 996 754
31- 60 days	974 164	5 552
61- 90 days	859 998	1 028 032
91- 120 days	777 233	1 028 507
121- 365 days	808 548	7 604 922
> 365 days	24 865 314	16 819 496
Total	29 558 283	29 483 263
Less: Impairment	(8 199 466)	(8 185 438)
	21 358 817	**21 297 825**

Rates are imposed under the Municipal Property Rates Act, 6 of 2004. Rates are billed on properties under the juristiction of the municipality, according to the tariffs. Please refer to Note 25 .

Summary of property rates debtors by customer classification.

Organs of State		
Current (0-30 days)	151 271	628 760
31- 60 days	281 148	24 857
61- 90 days	280 773	229 684
91- 120 days	254 376	259 973
121- 365 days	275 632	5 210 334
> 365 days	11 656 481	8 836 481
	12 899 681	**15 190 089**

Commercial		
Current (0-30 days)	506 779	771 818
31- 60 days	259 304	1 795
61- 90 days	194 378	202 805
91- 120 days	169 781	183 465
121- 365 days	178 926	1 240 990
> 365 days	4 655 022	2 488 682
	5 964 190	**4 889 555**

Households		
Current (0-30 days)	614 976	977 570
31- 60 days	433 711	2 370
61- 90 days	384 847	384 310
91- 120 days	353 075	373 729
121- 365 days	353 989	3 315 837
> 365 days	8 553 814	4 349 803
	10 694 412	**9 403 619**

Fines disclosure

The municipality imposes traffic fines to offenders in accordance with the National Road Traffic Act, 1996 (93 of 1996).

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

4. Receivables from Non-Exchange Transactions (continued)

Fines disclosure		
Gross Balances	1 049 523	667 312
Less: Provision for Impairment	(993 479)	(227 754)
Net balance	**56 044**	**439 558**

Reconciliation of provision for impairment traffic fines		
Opening balance	(227 754)	-
Provision for impairment	(765 725)	(227 754)
	(993 479)	**(227 754)**

Amounts recognised in surplus or deficitt

Outstanding balances on rates are subject to interest in accordance with the tariffs set by the municipality.

Property rates	22 511 627	21 934 277
Property rates - penalties imposed	1 336 724	1 115 802
Fines	398 200	195 240
	24 246 551	**23 245 319**

5. VAT receivable

VAT	2 500 283	4 974 641

VAT is levied in accordance with the Value-Added Tax Act of 1991.

6. Receivables from Exchange Transactions

Gross balances		
Electricity	5 534 705	6 409 345
Refuse	3 316 522	3 632 608
Creditors with debit balance	-	39 540
Property rentals	235 642	301 514
	9 086 869	**10 383 007**

Electricity	(2 410 794)	(2 239 891)
Refuse	(2 668 751)	(2 452 881)
	(5 079 545)	**(4 692 772)**

Net balance		
Electricity	3 123 911	4 169 454
Refuse	647 771	1 179 727
Creditors with debit balances	-	39 540
Property rentals	235 642	301 514
	4 007 324	**5 690 235**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

6. Receivables from Exchange Transactions (continued)

Electricity		
Current (0 -30 days)	1 360 987	1 504 724
31 - 60 days	300 201	701 600
61 - 90 days	264 283	406 475
91 - 120 days	186 760	264 332
121 - 365 days	351 352	497 809
> 365 days	3 071 122	3 034 405
Less: Impairment	(2 410 794)	(2 239 891)
	3 123 911	**4 169 454**

Refuse		
Current (0 -30 days)	162 575	223 283
31 - 60 days	133 764	180 251
61 - 90 days	84 644	82 032
91 - 120 days	81 957	127 019
121 - 365 days	78 666	150 523
> 365 days	2 774 916	2 869 500
Less: Impairment	(2 668 751)	(2 452 881)
	647 771	**1 179 727**

Creditors with debit balance		
Current (0 -30 days)	-	39 540

Property rentals		
Current (0 -30 days)	18 760	6 430
31 - 60 days	17 511	7 157
61 - 90 days	16 744	5 166
91 - 120 days	8 788	10 200
121 - 365 days	5 000	102 933
> 365 days	168 839	169 628
	235 642	**301 514**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(4 433 895)	(2 414 044)
Contributions to allowance	(645 650)	(2 278 728)
	(5 079 545)	**(4 692 772)**

Receivables from Exchange Transaction pledged as security

There are no Receivables from Exchange Transactions pledged as security.

Figures in Rand	2022	2021

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2022	2021
Cash on hand	343	820
Bank balances	1 778 587	2 967 196
*Short-term deposits	1 850 800	1 694 176
	3 629 730	**4 662 192**

Cash and cash equivalents pledged as guarantee

	2022	2021
First National Bank - Fixed Deposit - 7124500040078 Pledged as a guarantee to Eskom	1 540 000	1 540 000

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
First National Bank - Current (Main) - 54980006117	1 778 587	2 891 116	3 157 939	1 778 587	2 891 165	3 158 027
First National Bank- Current - 62330092470	92 032	76 032	61 921	92 032	76 032	61 921
Investec Bank - Call - 1100435097501	47 307	47 258	47 268	47 307	47 258	47 268
First National Bank - Fixed Deposit - 712450040078	1 540 000	1 540 000	1 540 000	1 540 000	1 540 000	1 540 000
First National Bank - Fixed Deposit - 62051262146	102 073	100 144	106	102 073	100 144	106
First National Bank - Call - 62532053204	63 635	1 212	1 176	63 635	1 212	1 176
First National Bank - Call Account - 62771806092	2 683	2 593	2 517	2 683	2 593	2 517
First National Bank - Call Account - 62771807016	3 071	2 969	2 881	3 071	2 969	2 881
Total	**3 629 388**	**4 661 324**	**4 813 808**	**3 629 388**	**4 661 373**	**4 813 896**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

8. Biological assets

	2022			2021		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Plantation	2 096 166	-	2 096 166	1 897 269	-	1 897 269

Reconciliation of biological assets - 2022

	Opening balance	Gains or Losses arising from changes in fair value	Total
Plantation	1 897 269	198 897	2 096 166

Reconciliation of biological assets - 2021

	Opening balance	Gains or losses arising from changes in fair value	Total
Plantation	1 211 074	686 193	1 897 269

Pledged as security

There is no plantation pledged as security.

The plantation is planted forestry area totalling 72.06 ha. Valuation is performed on annual basis.

9. Investment property

	2022			2021		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Investment property	238 995	(181 639)	57 356	238 995	(163 860)	75 135

Reconciliation of investment property - 2022

	Opening balance	Depreciation	Total
Investment property	75 135	(17 779)	57 356

Reconciliation of investment property - 2021

	Opening balance	Depreciation	Total
Investment property	92 913	(17 778)	75 135

Pledged as security

There is no investment property pledged as security.

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

Notes to the Annual Financial Statements

10. Property, plant and equipment

	2022			2021		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	28 811 492	(10 618 664)	18 192 828	27 873 089	(9 319 963)	18 553 126
Community Assets	124 871 294	(37 153 771)	87 717 523	119 882 796	(31 051 521)	88 831 275
Computer Equipment	1 603 136	(825 376)	777 760	1 201 561	(636 788)	564 773
Electrical Infrastructure	148 777 078	(27 395 151)	121 381 927	130 408 144	(23 175 424)	107 232 720
Furniture and Office Equipment	2 592 080	(1 333 660)	1 258 420	2 047 265	(1 128 689)	918 576
Land	45 913 792	-	45 913 792	45 913 792	-	45 913 792
Machinery and Equipment	6 183 118	(3 501 809)	2 681 309	5 588 180	(2 909 022)	2 679 158
Road infrastructure	176 950 745	(51 561 505)	125 389 240	147 652 049	(30 302 133)	117 349 916
Solid Waste Infrastructure	997 552	(243 857)	753 695	610 589	(67 600)	542 989
Stormwater Infrastructure	12 287 030	(2 909 336)	9 377 694	12 287 030	(2 335 942)	9 951 088
Transport Assets	13 184 369	(7 669 285)	5 515 084	11 430 347	(6 551 743)	4 878 604
Water Supply Infrastructure	1 984 882	(992 441)	992 441	1 984 882	(793 953)	1 190 929
Total	**564 156 568**	**(144 204 855)**	**419 951 713**	**506 879 724**	**(108 272 778)**	**398 606 946**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Other changes, movements	Depreciation	Impairment loss	Total
Buildings	18 553 126	938 404	-	(1 298 702)	-	18 192 828
Community Assets	88 831 275	4 988 498	-	(6 095 049)	(7 201)	87 717 523
Computer Equipment	564 773	401 575	-	(188 588)	-	777 760
Electrical Infrastructure	107 232 720	18 368 934	-	(4 219 727)	-	121 381 927
Furniture and Office Equipment	918 576	544 815	-	(204 971)	-	1 258 420
Land	45 913 792	-	-	-	-	45 913 792
Machinery and Equipment	2 679 158	595 024	-	(592 873)	-	2 681 309
Road Infrastructure	117 349 916	17 768 656	-	(9 729 156)	(176)	125 389 240
Solid Waste Infrastructure	542 989	-	223 626	(12 920)	-	753 695
Stormwater Infrastructure	9 951 088	-	-	(573 395)	-	9 377 694
Transport Assets	4 878 604	1 754 022	-	(1 117 542)	-	5 515 084
Water Supply Infrastructure	1 190 929	-	-	(198 488)	-	992 441
	398 606 946	**45 359 928**	**223 626**	**(24 231 411)**	**(7 377)**	**419 951 713**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Prior perid adjustment	Other changes, movements	Depreciation	Total
Buildings	20 533 116	2 103 660	-	(2 770 509)	-	(1 313 141)	18 553 126
Community Assets	80 493 389	11 034 000	-	2 770 509	-	(5 466 623)	88 831 275
Computer Equipment	440 177	259 805	(11 607)	-	-	(123 602)	564 773
Electrical Infrastructure	102 580 388	8 436 032	-	436 027	-	(4 219 727)	107 232 720
Furniture and Office Equipment	894 923	205 602	(9 566)	-	-	(172 383)	918 576
Land	46 323 792	-	(410 000)	-	-	-	45 913 792
Machinery and Equipment	2 902 076	328 944	-	-	-	(551 862)	2 679 158
Road Infrastructure	114 025 077	12 169 472	-	-	-	(8 844 633)	117 349 916
Solid Waste Infrastructure	78 589	-	-	(163 338)	630 932	(3 194)	542 989
Stormwater Infrastructure	10 420 712	-	-	-	-	(469 624)	9 951 088
Transport Assets	4 436 060	1 804 072	(346 400)	-	-	(1 015 128)	4 878 604
Water Supply Infrastructure	1 389 417	-	-	-	-	(198 488)	1 190 929
	384 517 716	**36 341 587**	**(777 573)**	**272 689**	**630 932**	**(22 378 405)**	**398 606 946**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

10. Property, plant and equipment (continued)

Pledged as security

There are no assets pledged as security.

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected	2022	2021
Thubalethu Housing Project	8 519 531	8 519 531
The final road layers will be constructed as soon as the housing project is complete. This is due to the heavy plant that may damage the road if finalised before the houses are completed.		
Makhasaneni and Soqiwa Electrification	21 616 973	21 616 973
A service provider had errorneously removed a critical component. Project will be handed over to Eskom on receipt.		
	30 136 504	**30 136 504**

Reconciliation of Work-in-Progress 2022

	Included within Electrical Infrastructure	Included within Community Assets	Included within Road Infrastructure	Included within Buildings	Total
Opening balance	42 019 127	9 431 885	9 145 419	-	60 596 431
Additions/capital expenditure	18 368 934	4 936 298	17 768 657	-	41 073 889
Transferred to completed items	-	(10 149 655)	-	-	(10 149 655)
	60 388 061	**4 218 528**	**26 914 076**	**-**	**91 520 665**

Reconciliation of Work-in-Progress 2021

2021	Included within Electrical Infrastructure	Included within Community Assets	Included within Road Infrastructure	Included within Buildings	Total
Opening balance	33 147 068	6 764 065	43 067 997	-	82 979 129
Additions	8 436 032	13 137 659	12 169 442	-	33 743 133
Transferred to completed items	-	(10 469 838)	(46 092 020)	-	(56 561 859)
Prior period adjustment	436 027	-	-	-	436 027
	42 019 127	**9 431 886**	**9 145 419**	**-**	**60 596 430**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

10. Property, plant and equipment (continued)

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

Maintenance of Buildings and Facilities	1 483 492	1 162 526
Maintenance of Equipment	1 038 470	722 288
Maintenance of Transport Assets	9 256 392	1 256 715
Maintenance of Infrastructure	1 831 558	7 405 689
	13 609 912	**10 547 218**

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

11. Intangible assets

	2022			2021		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	237 563	(190 434)	47 129	237 563	(175 029)	62 534

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	62 534	(15 405)	47 129

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	81 342	(18 808)	62 534

Notes to the Annual Financial Statements

Figures in Rand

12. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	589	-	589	589	-	589

Reconciliation of heritage assets 2022

	Opening balance	Total
Historical monuments	589	589

Reconciliation of heritage assets 2021

	Opening balance	Total
Historical monuments	589	589

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

13. Payables from exchange transactions

	2022	2021
Trade payables	30 626 497	14 122 853
Payments received in advance	997 835	1 655 835
Retentions	3 522 426	2 782 911
Third parties - payroll	4 285 945	2 197 694
Debtors in credit	1 331 992	840 966
Other payables	3 153 469	3 076 572
Income received in advance- prepaid electricity	96 740	84 737
	44 014 904	**24 761 568**

14. Consumer deposits

	2022	2021
Electricity	641 420	664 212
Other consumer deposits	366 689	332 480
	1 008 109	**996 692**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2022	2021
Integrated National Electrification Program Grant	-	1 730 944
Title Deed Restoration Grant	100 000	100 000
	100 000	**1 830 944**

16. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	4 360 113	-	-	-	384 513	4 744 626
Provision for bonuses	2 465 534	2 365 163	(2 561 616)	-	-	2 269 081
Provision for leave pay	5 254 972	-	(1 467 103)	(287 154)	-	3 500 715
	12 080 619	**2 365 163**	**(4 028 719)**	**(287 154)**	**384 513**	**10 514 422**

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	3 729 181	-	-	630 932	4 360 113
Provision for bonuses	1 663 095	3 306 548	(2 504 109)	-	2 465 534
Provision for leave pay	3 744 597	2 233 355	(722 980)	-	5 254 972
	9 136 873	**5 539 903**	**(3 227 089)**	**630 932**	**12 080 619**

	2022	2021
Non-current liabilities	4 744 626	4 360 113
Current liabilities	5 769 796	7 720 506
	10 514 422	**12 080 619**

Figures in Rand	2022	2021

17. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit	(3 108 623)	(3 735 897)
Long service bonus awards accrued liability	(2 293 214)	(2 397 684)
	(5 401 837)	**(6 133 581)**
Non-current liabilities	(5 175 163)	(5 808 454)
Current liabilities	(226 674)	(325 127)
	(5 401 837)	**(6 133 581)**

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

Assets used by the entity		
Opening balance	3 735 896	2 356 260
Net (Income)/Expense recognised in the statement of financial performance	(627 274)	1 379 636
	3 108 622	**3 735 896**

Defined benefit plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid fund which is associated with the municipality, a member (who is on the current condiitons of service) is entitled to remain a continued member of such medical aid fund upon retirement. In such cases, the municipality is liable for a portion of the medical aid membership fee. The most recent actuarial valuations were carried out at 30 June 2022 by One Pangaea, Fellow of the Faculty of Acturies and Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

Post retirement medical aid plan

The Municipality has agreed to subsidise the medical aid contributions of continuation pensioners in the following way:

- All new pensioners (that are currently still in service) and their dependents will receive a 60% subidy upon attaining retirement age.
- All new pensioners (that are currently still in service) and their dependents will receive a 60% subsidy subject to the maximum (CAP) amount of R5,007 (per month per member) as from 1 July 2022.
- All existing continuation members (pensioners) and their dependents will continue to receive a 60% subsidy subject to the maximum (CAP) amount of R5,007 (per month per member) 1 July 2022.
- The maximum subsidy is expected to increase at increase at 50% of inflation.

Split between short and long term portion of Post Employment Medical SubsidyLiability		
<1 year	-	114 361
>1 year	2 988 779	3 621 536
	2 988 779	**3 735 897**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

17. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	153 127	196 475
Interest cost	440 343	335 228
Actuarial (gains) losses	(1 106 383)	885 022
Expected return on reimbursement rights	(114 361)	(37 089)
	(627 274)	**1 379 636**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12,25 %	11,97 %
Medical cost trend rates	9,25 %	8,76 %
Expected pension increases	7,75 %	7,26 %
Net discount rate	2,75 %	2,95 %

Long Service Bonus Awards Liability

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. Mthonjaneni advised that in most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

Completed service (Years)	Total Long Service Benefit Award (% of Annual Salary)	Total Long Service Benefit Award (% of Annual Salary)
10	4%	(10/250) x Annual Salary
15	8%	(20/250) x Annual Salary
20, 25, 30, 35, 40 and 45	12%	(30/250) x Annual Salary

Valuation Assumptions

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

Assumption	30 June 2021	30 June 2022
Discount rate	8.97%	11.32%
CPI	5.68%	7.32%
Salary increase rate	6.68%	8.32%
Net Discount Rate	2.15%	2.77%

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

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2021 the duration of liabilities was 7.59 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2022 is 11.32% per annum, and the yield on inflation-linked bonds of a similar term was about 3.73% per annum. This implies an underlying expectation of inflation of 7.32% per annum ([1 + 7.59%] / [1 + 3.73%] - 1).

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 2.77% per annum ([1 + 11.32%] / [1 + 8.32%] - 1).

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

17. Employee benefit obligations (continued)

Demographic and decrement assumption

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

Assumption	**30 June 2021**	**30 June 2022**
Normal retirement age (years)	65	65
Mortality	SA85-90	SA85-90

The following withdrawal assumptions were applicable over the prior and current valuation periods:

Age	**Withdrawal rates (Male)**	**Withdrawal rates (Female)**
20	16%	24%
25	12%	18%
30	10%	15%
35	8%	10%
40	6%	6%
45	4%	4%
50	2%	2%
55	1%	1%
60+		

Recognition of net expense

	2022	2021
Opening accrued liability	2 397 684	2 219 616
Service cost	281 174	272 298
Interest cost	205 619	196 687
Actuarial (gain)/loss	(380 497)	(36 519)
C: Benefit payments	(210 766)	(254 398)
	2 293 214	**2 397 684**

Split between short and long term portion of obligation

	2022	2021
<1 year	-	210 766
>1 year	2 186 384	2 186 918
	2 186 384	**2 397 684**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

18. Statutory receivables

Statutory receivables general informationStatutory 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	29 558 283	29 483 263
Traffic fines	1 049 523	667 312
VAT	2 500 283	4 974 641
	33 108 089	**35 125 216**

Receivable from Non-exchange Transactions Statutory receivables general informationReceivable 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 Of 2014, hence 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

19. Service charges

Service charges - reconnection fees	89 667	90 417
Sale of electricity	26 123 410	22 403 594
Refuse removal	1 803 757	1 360 464
	28 016 834	**23 854 475**

20. Rental of facilities and equipment

Premises		
Hall hire	53 921	14 681
Facilities and equipment		
Rental income	201 037	199 239
	254 958	**213 920**

21. Licences and permits

Learner Driver Application	321 573	358 823
Motor Licenses	1 213 139	1 287 333
Business Licenses	2 595	2 972
Taxi rank Permits	15 309	31 083
	1 552 616	**1 680 211**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

22. Other income

Sundry income	592 278	526 306
Building plan fees	6 111	28 844
Cemetery fees	20 551	30 641
Rates clearance certificate	2 820	3 556
Hoarding	-	756
Photocopying	14 614	3 834
Impairment reversal	2 263 087	-
Sale of municipal land	-	1 053 600
	2 899 461	**1 647 537**

23. Interest Received

Bank	209 091	180 361
Interest charged on trade and other receivables	544 723	579 921
Short term deposits	133 590	54 318
	887 404	**814 600**

24. Fair value adjustments

Biological assets - (Fair value model)	198 897	686 195

25. Property rates

Rates received

Residential	3 648 984	3 232 631
Commercial	7 367 122	7 656 705
State	9 345 402	9 002 632
Agriculture	1 770 493	1 702 829
Public service infrastructure	624	608
Vacant land	379 002	338 872
	22 511 627	21 934 277
Property rates - penalties imposed	1 336 724	1 115 802
	23 848 351	**23 050 079**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

25. Property rates (continued)

Valuations

Agriculture	1 003 650 000	1 003 650 000
Commercial	434 944 000	434 944 000
Municipal Properties	81 388 495	81 388 495
Places of worship	15 073 000	15 073 000
Public service Infrastructure	30 037	30 037
Public service purpose	332 193 237	332 193 237
Residential	463 162 000	463 162 000
State Trust Land	47 719 231	47 719 231
Vacant land	20 021 000	20 021 000
Industrial	9 871 000	9 871 000
Land reform	44 860 000	44 860 000
Public benefit organisation	686 000	686 000
	2 453 598 000	**2 453 598 000**

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

The new general valuation will be implemented on 01 July 2025.

Property Rates Tarrifs:

Agriculture	0.38	0.36
Commercial	1.91	1.82
Industrial	1.91	1.82
Public Service Infrastructure	1.91	1.82
Public Service Purpose	1.91	1.82
State Owned	1.91	1.82
Residential	1.91	1.82
Rural Tourism and Hospitality	1.91	1.82
State Trust Land	1.91	1.82
Urban Tourism and Hospitality	1.91	1.82
Vacant Land	1.91	1.82

Rebates:

Vacant Land	15%	15%
Vacant Land	15%	1.82

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

26. Government grants & subsidies

	2022	2021
Operating grants		
Equitable share	86 810 944	97 320 000
Expanded Public Works Programme (EPWP)	1 891 000	1 951 000
Financial Management Grant (FMG)	2 649 999	2 800 001
COGTA Grant	-	17 134
Community Library Grant	242 000	226 000
Provincialization of Libraries Grant	935 000	905 000
	92 528 943	**103 219 135**
Capital grants		
Municipal Infrastructure Grant	28 832 000	24 439 000
Integrated National Electrification Grant (INEG)	20 805 000	9 428 056
	49 637 000	**33 867 056**
	142 165 943	**137 086 191**

Integrated National Electrification Grant (INEG)

	2022	2021
Balance unspent at beginning of year	1 730 944	-
Current-year receipts	20 805 000	11 159 000
Conditions met - transferred to revenue	(20 805 000)	(9 428 056)
Reverted to National Treasury	(1 730 944)	-
	-	**1 730 944**

COGTA Grant

	2022	2021
Current-year receipts	-	17 134
Conditions met - transferred to revenue	-	(17 134)
	-	-

Expanded Public Works Programme Grant

	2022	2021
Current-year receipts	1 891 000	1 951 000
Conditions met - transferred to revenue	(1 891 000)	(1 951 000)
	-	-

Financial Management Grant

	2022	2021
Current-year receipts	2 650 000	2 800 000
Conditions met - transferred to revenue	(2 650 000)	(2 800 000)
	-	-

Municipal Infrastructure Grant

	2022	2021
Current-year receipts	28 832 000	24 439 000
Conditions met - transferred to revenue	(28 832 000)	(24 439 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

26. Government grants & subsidies (continued)

Title Deeds Restoration Grant

Balance unspent at beginning of year	100 000	-
Current-year receipts	-	100 000
	100 000	**100 000**

Conditions still to be met - remain liabilities (see note 15).

Community Library Grant

Current-year receipts	242 000	226 000
Conditions met - transferred to revenue	(242 000)	(226 000)
	-	-

Provincialization of Libraries Grant

Current-year receipts	935 000	905 000
Conditions met - transferred to revenue	(935 000)	(905 000)
	-	-

27. Fines, Penalties and Forfeits

Traffic Fines	398 200	195 240

28. Employee related costs

Basic	36 831 876	37 668 548
Bonus	2 561 616	2 504 109
Medical aid - company contributions	2 696 578	2 680 636
UIF	319 269	296 277
SALGA	16 974	15 425
Leave pay provision charge	1 307 836	694 744
Other Allowances (Standby, Remote, Night Shit, Cellphone, Once Off, Fire Arm and Danger)	1 791 756	1 264 723
Overtime	1 208 027	1 215 520
Defined contribution plans	5 004 149	4 696 621
Travel and motor car allowances	4 373 606	4 221 825
Long-service awards	399 061	204 919
Acting allowances	759 669	32 603
Housing, Home owners and Rental Allowance	945 742	962 983
Skills Development Levy	496 551	587 074
	58 712 710	**57 046 007**

Remuneration of former Municipal Manager - P.P. Sibiya (7 months)

Annual Remuneration	535 529	1 045 857
Car Allowance	77 016	150 000
Contributions to UIF	1 240	1 813
Remote Allowance	24 502	47 834
Skills Development Levy	8 522	10 114
Leave Pay	230 575	-
	877 384	**1 255 618**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

28. Employee related costs (continued)

Remuneration of Director Technical Services - S.F Mchunu

Annual Remuneration	635 063	635 063
Car Allowance	180 000	180 000
Contributions to UIF	2 125	1 813
Remote Allowance	32 603	32 603
Cell Phone Allowance	-	13 500
Skills Development Levy	8 121	8 692
Other Allowances (Additional Travel, toll fees and Sub)	9 856	5 521
	867 768	**877 192**

Remuneration of Chief Financial Officer - N.M. Myeni

Annual Remuneration	846 188	846 188
Car Allowance	150 000	157 204
Contributions to UIF, Medical and Pension Funds	12 186	10 197
Remote Allowance	39 848	39 848
Other Allowances (Subsistance,Toll Fees and Additional Travel)	4 970	-
	1 053 192	**1 053 437**

Remuneration of Director Corporate & Community Services - Z.S Mthethwa (9 months)

Annual Remuneration	512 719	683 626
Car Allowance	112 500	150 000
Contributions to UIF	1 594	1 813
Remote Allowance	27 169	36 225
Housing Allowance	54 000	72 000
Skills Development Levy	7 894	7 600
Leave pay	75 651	-
Other Allowance (Additional Travel, Sub, Toll fees)	3 574	-
	795 101	**951 264**

Remuneration of Acting Municipal Manager of- Z.S Mthethwa (3 months)

Acting Allowance	29 704	-

Remuneration of Municipal Manager of- Z.S Mthethwa (3 months)

Annual Remuneration	192 676	-
Car Allowance	37 500	-
Additional travel	3 846	-
Contributions to UIF, Medical and Pension Funds	531	-
House Allowance	18 000	-
Scarcity (Remote allowance)	9 927	-
Subsitance Taxable	304	-
Skills levy	2 509	-
	265 293	**-**

Remuneration of Director Coporate and Community Services - N.B Mathe (Acting 3 months)

Acting Allowance	42 689	-

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

29. Remuneration of councillors

Hon. Mayor	888 710	843 434
Deputy Mayor	729 525	879 630
Executive Committee Members	1 199 007	1 189 414
Hon. Speaker	424 371	424 998
All Other Councillors	5 083 613	6 661 338
Chief Whip	264 128	-
MPAC Chairperson	360 520	-
	8 949 874	**9 998 814**

In-kind benefits

The Hon. Mayor and Deputy Mayor are full time. Hon. Speaker and Executive Committee Members are part-time. Hon. Mayor, Hon Speaker and Deputy Mayor, each are 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.

The Hon. Mayor, Deputy Mayor and Hon. Speaker each have a driver and a full-time bodyguard.

30. Depreciation and amortisation

Property, plant and equipment	24 231 411	22 372 435
Investment property	17 778	17 778
Intangible assets	15 405	18 808
	24 264 594	**22 409 021**

31. Impairment loss

Impairments		
Property, plant and equipment	7 376	-

32. Interest paid

Interest and penalties paid	235 466	364 678

Interest and penalties paid are mainly due to cash flow challenges which resulted due to arrears on accounts such as Eskom, Telkom, South Africa Revenue Service and Pension Funds.

33. Lease rentals on operating lease

Motor vehicles		
Contractual amounts	333 253	336 668
Equipment		
Contractual amounts	892 534	140 616
	1 225 787	**477 284**

34. Bad Debts Written - Off

Bad Debts Written Off	9 651 776	-
Traffic Fines Written Off	-	378 738
	9 651 776	**378 738**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

35. Bulk purchases

Electricity - Eskom	22 585 991	19 361 792

36. Contracted services

Outsourced Services		
Business and Advisory	7 540 794	4 483 534
Catering Services	3 197 461	967 609
Cleaning Services	1 774 918	921 582
Clearing and Grass Cutting Services	-	124 693
Drivers Licence Cards	446 604	50 000
Fire Services	260 840	145 655
Internal Auditors	781 489	1 506 027
Personnel and Labour	-	37 938
Refuse Removal	2 866 282	2 027 240
Security Services	5 077 863	2 233 686
Transport Services	460 850	-
Consultants and Professional Services		
Business and Advisory	382 773	354 784
Infrastructure and Planning	-	197 589
Property valuation Fees	397 278	289 818
Legal Cost	685 237	1 767 877
Contractors		
Municipal Events	4 110 483	495 674
First Aid	6 000	17 790
Maintenance of Buildings and Facilities	1 483 492	1 162 526
Maintenance of Equipment	1 038 470	928 198
Maintenance of Infrastructure	9 256 392	7 199 779
Maintenance of Transport Assets	1 831 558	1 256 715
Stage and Sound Crew	1 847 196	304 750
Transportation	252 573	8 537
	43 698 553	**26 482 001**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

37. Operational Costs

Advertising	1 916 776	1 238 740
Assessment rates & municipal charges	12 033	19 883
Assets expensed	165 619	62 491
Auditors remuneration	2 053 401	1 949 224
Bank charges	114 515	143 330
Bursaries	1 948 936	707 306
Conferences and seminars	397 327	108 947
Consumable	563 181	1 259 963
Contribution to Provistion for Impairment	1 484 873	2 990 968
EPWP Stipends	3 681 942	1 211 700
Electricity	1 047 067	1 909 660
Fuel and oil	2 560 183	1 597 923
Hire	387 910	349 105
IT expenses	320 711	1 213 505
Indigent Relief	1 640 520	1 918 708
Insurance	1 220 589	1 048 015
LED Projects	1 293 854	1 434 664
Materials and supplies	2 533 542	-
Other expenses	128 525	127 309
Packaging	-	5 250
Printing and stationery	602 726	742 833
Protective clothing	360 105	1 123 501
Subscriptions and membership fees	600 062	575 276
Telephone and fax	998 497	821 230
Training	215 099	12 745
Travel and subsistence	2 595 683	410 232
Ward committee	1 637 331	1 772 145
Water	293 656	392 079
Workmen's compensation	308 676	264 114
	31 083 339	**25 410 846**

38. Auditors' remuneration

Fees	2 053 401	1 949 224

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

39. Cash generated from operations

Surplus	434 472	25 890 488
Adjustments for:		
Depreciation and amortisation	24 264 595	22 409 021
Loss on disposal of property, plant and equipment	-	29 143
Fair value adjustments	(198 897)	(686 195)
Provision discount factor	160 888	-
Asset write off	7 376	-
Bad debts written-off	9 651 776	378 738
Movements in retirement benefit assets and liabilities	(731 744)	1 379 636
Movements in provisions	(784 184)	2 719 902
Landfill provision adjustment	-	(630 932)
Changes in working capital:		
Inventories	327 889	(233 202)
Consumer debtors	1 296 138	(1 655 714)
Other receivables from non-exchange transactions	(10 109 007)	(7 297 521)
Payables from exchange tranactions	19 253 250	(6 824 164)
VAT	2 474 358	(1 885 872)
Unspent conditional grants and receipts	(1 730 944)	1 813 809
Consumer deposits	11 417	(29 114)
	44 327 383	**35 378 023**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

40. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting for the following:

	2022	2021
Operating lease charges		
Motor vehicles		
• Contractual amounts	333 253	336 668
Equipment		
• Contractual amounts	892 534	140 616
	1 225 787	**477 284**

	2022	2021
Loss on sale of property, plant and equipment	-	(29 143)
Impairment on property, plant and equipment	7 376	-
Amortisation on intangible assets	15 405	18 808
Depreciation on property, plant and equipment	24 231 411	22 372 435
Depreciation on investment property	17 778	17 778
Employee costs	67 662 584	67 044 821

41. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	4 007 324	-	4 007 324
Other receivables from non-exchange transactions	21 827 421	-	21 827 421
Cash and cash equivalents	-	3 629 730	3 629 730
	25 834 745	**3 629 730**	**29 464 475**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	44 014 904	44 014 904

2021

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	5 690 235	-	5 690 235
Other receivables from non-exchange transactions	22 149 943	-	22 149 943
Cash and cash equivalents	-	4 662 192	4 662 192
	27 840 178	**4 662 192**	**32 502 370**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

41. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	24 761 568	24 761 568

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	36 413 968	39 384 938
Total capital commitments		
Already contracted for but not provided for	36 413 968	39 384 938

Total commitments

Total commitments		
Authorised capital expenditure	36 413 968	39 384 938

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

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	744 144	477 284
- in second to fifth year inclusive	978 347	-
	1 722 491	**477 284**

Operating lease payments represent rentals payable by the municipality for certain of its telephone equipment, photocopiers and motor vehicles. No contingent rent is payable.

43. Contingencies

2021

There is an ongoing case between the municipality and the MEC for COGTA KZN. The matter is awaiting judgement by the Constitutional Court.

The municipal attorney is anticipating the matter to be resolved before the end of the year, 2021.

The estimated costs and disbursements amount to R 180 000. The Municipality's attorneys believe that the management's description and estimates of the amount of financial exposure, which might arise in relation to the matters described above are reasonable.

2022

There are no reimbursement from any third parties for potential obligations of the municipality, nor pending cases as at the date of the report.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

44. Related parties

Relationships	
Members of key management	P.P. Sibiya (Former Municipal Manager) N.M. Myeni (Chief Financial Officer) S.F. Mchunu (Director:Technical Services Z.S. Mthethwa (Acting/Municipal Manager) N.A. Mbatha (Speaker)

Related party balances

The following councillors and key management owed the municipality in repect of traffic fines as at 30 June 2022

	2022	2021
Councillors		
Cllr P.E. Ntombela (Deputy Mayor)	2 350	2 350
Cllr N.A. Mbatha (Speaker)	2 900	2 900
Former Cllr M.N. Ndlangamandla	-	4 950
Former Cllr T.F. Zincume	-	150
Cllr T.E. Mpungose	200	200
Former Cllr D.M. Dludla	-	5 600
Former Cllr Z.A. Sibiya	-	400
Former Cllr H.K.L. Zungu	-	10 250
Cllr B.M.T Sibiya	5 900	-
Cllr S.M. Khuzwayo	1 200	-
Former Cllr J. Mlawu	-	1 450
Cllr S.S Mnguni	200	-
Former Cllr B.M.T. Sibiya	-	5 900
Cllr K.T. Mkhize	900	-
Former Cllr D.F. Xulu	-	600
	13 650	**34 750**

	2022	2021
Directors		
Mr. P.P. Sibiya (Former Municipal Manager)	26 000	26 000
Mr. Z.S. Mthethwa (Acting/Municipal Manager)	5 450	5 450
Mr. S. Mchunu (Director Technical Services)	950	950
	32 400	**32 400**

As per Section 124(1)(b) of the MFMA, the following Councillors owed the Municipality in respect of property rates and service charges for a period of more than 90 days as at 30 June 2022.

	2022	2021
Councillors		
Cllr N.A. Mbatha	1 239	246
Former Cllr D.M Dludla	-	775
	1 239	**1 021**

Refer to note 28 & 29 for disclosure of remuneration of key management and councillors.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

45. Change in estimate

Property, plant and equipment

A change in the esitmated remaining useful life of various assets of the Municipality based on their conditional assessment conducted as at 30 June 2022 (30 June 2021) will result in the following increase/decreases in depreciation and amortisation for the 2022 (2021) financial year end and future periods

The impact on the statement of financial performance in the 2022 (2021) fiancial year and future periods:

Machinery and Equipment	(32 007)	5 838
Buildings	-	26 953
Road Infrastructure	-	8 114
Furniture and Office Equipment	(22 639)	(9 656)
Transport Assets	(81 745)	13 643
Computer Equipment	(10 122)	4 670
Community Assets	-	12 995
Electrical Infrastructure	-	12 021
Investment Property	-	349
Intangible Assets	-	24 153
	(146 513)	**99 080**

46. 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.

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.

Financial liabilities	44 014 904	24 761 568

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.

Financial instrument		
Cash and cash equivalents	3 629 730	4 662 192
Trade and other receivables	4 007 324	5 690 235
	7 637 054	10 352 427

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

47. 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.

(a) The Accounting Officer continue to procure funding for the ongoing operations for the Municipality.

(b) The Municipality have not lost any of the key customers or principal suppliers.

(c) The Municipality does not experience Labour difficulties.

(d) The Municipality does not have shortage of important suppliers.

(e) Financial results, bank account balance and net asset are all positive.

In addition, the municipality collects revenue for services rendered and the will augment their cash flows in subsequent years.

The 2021 local government elections were held on 1 November 2021, the Municipal Council inauguration meeting took place on 22 November 2021 and a new Executive Committee was elected along with a new Mayor, Deputy Mayor and Speaker.

Figures in Rand	2022	2021

48. Events after the reporting date

Adjusting events after reporting after year end

No events after reporting date.

Non-adjusting event after reporting date

The municipality on the 21st of July 2022 embarked on a disposal of municipal assets through an auction. Municipal vehicles (10) and equipment (16) which had been identified as assets that are unserviceable, redundant or obsolete. The auction was conducted in line with the section 14(5) of the Municipal Finance Management Act (No.56 2003) and the Municpal Supply Chain Management Policy.

49. Unauthorised expenditure

	2022	2021
Opening balance as previously reported	38 838 086	38 838 086
Add: Unauthorised expenditure - current	20 455 895	-
Closing balance	**59 293 981**	**38 838 086**

Included in the over expenditure is the net amount incurred by municipal departments during the year is attributable to the following key categories:

- **Depreciation and amortisaton** - R 8 937 525 variance over budget [Additions made in the current year, hence increase in depreciable assets]. (None cash)
- **Debt write off** - R 6 925 928 variance over budget [Debt write off done in the current year]. (None cash)
- **Security services** - R 1 512 863 variance over budget [Incidents of vandalism and looting, security had to be increase to protect municipal infrastructure].
- **Hire** - R 1 615 009 variance over budget [After the floods of January and April, hire was increased in order to assist those in need]

50. Fruitless and wasteful expenditure

	2022	2021
Opening balance as previously reported	1 590 372	1 389 032
Add: Fruitless and wasteful expenditure identified - current	235 466	201 340
Closing balance	**1 825 838**	**1 590 372**

Fruitless and wasteful expenditure comprises of interest on overdue accounts.

51. Irregular expenditure

	2022	2021
Opening balance as previously reported	86 443 784	83 477 015
Add: Irregular Expenditure - current	48 808 411	24 159 853
Less: Amount certified by Council as irrecoverable and written off	(62 174 545)	(21 193 084)
Closing balance	**73 077 650**	**86 443 784**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

51. Irregular expenditure (continued)

Details of Irregular Expenditure due to non-compliance with tax regulations

Zumaan Group	-	552 139
BP Driving School	438 945	259 625
	438 945	**811 764**

Details of Irregular Expenditure due to non-compliance with Section 29(2) Regulations

Dolphin Coast Solutions	1 019 607	714 385
Brockwell Auto Engineering	2 247 251	1 290 234
Buthelezi Mtshali Mzulwini Attorneys	998 921	1 904 387
Jabulani Teressa Construction	-	219 658
Konica Minolta Zululand	-	227 582
Leaf Technologies	163 193	161 945
Magubane Plant and Construction	2 496 696	1 941 350
Mfezi Security	3 720 185	2 523 515
Ntungani Construction	351 008	1 587 473
PayDay	184 366	167 955
Sigcinubunye Funeral Services	1 106 264	1 191 815
Snobho (Pty) Ltd	41 400	342 240
Somkhanda Plant Hire	-	3 630 176
Sukumasakhe 968 Trading	-	285 944
Sure Boss Trading and Projects	3 486 478	4 278 742
Uhaqane MI Contractors	-	184 862
Wesbank	415 374	354 857
	16 230 743	**21 007 120**

Details of Irregular Expenditure due to non-compliance with local content requirements

Shantis Electrical - Ofankomo Electrification	4 696 315	1 040 826
Makoloni Projects - Inkisa Electrification	1 494 980	503 680
Masina Engineering - Umhlathuze Electrification	2 016 932	486 440
Southstruct Contractors - Gloves	-	2 000
Southstruct Contractors - Surgical Masks	-	27 000
Cherma Sales & Maintenance - Surgical masks	-	12 650
	8 208 227	**2 072 596**

Details of Irregular Expenditure due to non-compliance with regulation 19(a) - Compititive bidding

Izinga Holdings - Mahhehhe creche	1 609 890	-
Izinga Holdings - Njomelwane Community Hall	2 163 386	-
BI Infrastructure - Ndundulu Gravel Road	4 864 696	-
Ilifa Africa Engineers - Makhubalo Gravel Road	1 206 288	-
Izinga Holdings - Ntilingwane Gravel Road	3 083 288	-
ACB Group - Supply, Delivery & Installation of Parkhome	639 825	-
ACB Group - Urban roads upgrade (Thubalethu)	6 505 960	-
ACB Group - Makhubalo Gravel Road Phase 2	2 017 135	-
	22 090 468	**-**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

51. Irregular expenditure (continued)

Details of Irregular Expenditure due to deviations not approved

Cherma sales & maintenance	-	101 189
Bidvest Services	-	167 186
	-	**268 375**

Details of Irregular Expenditure due to contract extension not in accordance with legislation

CCG Systems: TR25-2016	1 840 025	-

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	591 038	572 157
Current year subscription / fee	(591 038)	(572 157)
	-	-

Electricity distribution losses		
Units lost (Kilowatts)	1 592 764	1 418 613
Units lost (Selling Price)	3 340 170	2 584 545
Units lost (Purchase Price)	2 175 640	1 679 290
Units lost (Percentage)	10,13%	8,67%

The electricity distribution losses are mainly due to aging infrastructure, technical losses and illegal connections.

Audit fees

Opening balance	4 364	-
Current year subscription / fee	2 361 411	1 949 224
Amount paid - current year	(2 365 775)	(1 944 860)
	-	**4 364**

PAYE and UIF

Opening balance	(790 995)	(1 556 593)
Current year subscription / fee	10 250 250	10 306 220
Amount paid - current year	(9 531 676)	(9 540 622)
	(72 421)	**(790 995)**

Pension and Medical Aid Deductions

Opening balance	1 586 888	2 480 606
Current year subscription / fee	13 357 951	13 170 733
Amount paid - current year	(12 232 849)	(14 064 451)
	2 711 990	**1 586 888**

VAT

VAT receivable	10 631 399	7 267 462
VAT payable	8 131 116	2 292 821
	2 500 283	**4 974 641**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

53. Deviation from supply chain management regulations

Deviations current year (Regulation 36)		
Emergency procurement	3 008 097	2 675 414
Sole supplier or service provider	49 357	1 034 262
Impractical/Impossible to follow procurement process	5 544 484	29 855 532
	8 601 938	**33 565 208**

Deviations current year (Regulation 32)	114 000	2 772 510

54. 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:

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

54. Prior-year adjustments (continued)

Statement of financial position

2021

	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Current Assets					
Inventories	971 780	-	-	-	971 780
Receivables from Non-Exchange Transactions	23 757 569	(2 790 484)	-	622 558	21 589 643
VAT receivable	4 937 419	37 222	-	-	4 974 641
Receivables from Exchange Transactions	7 614 105	(2 142 278)	-	218 408	5 690 235
Cash and cash equivalents	4 662 192	-	-	-	4 662 192
Non-Current Assets					
Biological Assets	1 897 269	-	-	-	1 897 269
Investment Property	75 135	-	-	-	75 135
Property, Plant and Equipment	398 334 112	272 951	-	(117)	398 606 946
Intangible Assets	62 534	-	-	-	62 534
Heritage Assets	589	-	-	-	589
TOTAL ASSETS	**442 312 704**	**(4 622 589)**	**-**	**840 849**	**438 530 964**

2021

	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Current Liabilities					
Payables from exchange transactions	23 347 451	573 268	-	840 849	24 761 568
Consumer Deposits	996 692	-	-	-	996 692
Unspent Conditional Grants and Receipts	1 830 944	-	-	-	1 830 944
Employee Benefit Obligation	-	-	-	325 127	325 127
Provisions	7 720 506	-	-	-	7 720 506
Non-Current Liabilities					
Provisions	6 757 797	-	-	(2 397 684)	4 360 113
Employee Benefit Obligation	3 735 897	-	-	2 072 557	5 808 454
	44 389 287	**573 268**	**-**	**840 849**	**45 803 404**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

54. Prior-year adjustments (continued)

Statement of financial performance

	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Service charges	23 854 475	-	-	-	23 854 475
Rental of facilities and equipment	213 920	-	-	-	213 920
Licenses and Permits	1 680 211	-	-	-	1 680 211
Other Income	1 724 520	(76 983)	-	-	1 647 537
Interest Received	814 600	-	-	-	814 600
Fair Value Adjustments	686 195	-	-	-	686 195
Property Rates	21 934 277	-	-	-	21 934 277
Property Rates - Penalties Imposed	1 115 802	-	-	-	1 115 802
Government Grants & Subsidies	137 086 191	-	-	-	137 086 191
Fines, Penalties and Forfeits	195 240	-	-	-	195 240
Revenue for the year	**189 305 431**	**(76 983)**	**-**	**-**	**189 228 448**

	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Employee Related Costs	(58 138 308)	-	-	1 092 301	(57 046 007)
Remuneration of Councillors	(9 010 490)	-	-	(988 324)	(9 998 814)
Depreciation and Amortisation	(22 409 021)	-	-	-	(22 409 021)
Interest Paid	(201 340)	(163 337)	-	-	(364 677)
Lease rentals on operating lease	(477 284)	-	-	-	(477 284)
Traffic Fines Written-Off	(378 738)	-	-	-	(378 738)
Bulk Purchases	(19 361 792)	-	-	-	(19 361 792)
Contracted Services	(26 482 002)	-	-	-	(26 482 002)
Loss on Disposal of Assets	(29 143)	-	-	-	(29 143)
Actuarial Losses	(1 379 636)	-	-	-	(1 379 636)
Operational Costs	(26 159 206)	852 336	-	(103 976)	(25 410 846)
Expenditure for the year	**(164 026 960)**	**688 999**	**-**	**-**	**(163 337 960)**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

54. Prior-year adjustments (continued)

Cash flow statement

	As previously reported	Restated
Cash flow from operating activities	35 378 023	35 378 023
Cash flow from investing activities	(35 530 125)	(35 530 125)

2022

	As previously reported	Correction of error	Restated
Net Assets	397 923 417	(4 635 559)	393 287 858

55. Segment information

General information

Identification of segments

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

- Executive and Council
- Finance and Administration
- Corporate and Community Services
- Technical Services

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

55. Segment information (continued)

2022

2022

	Executive and Council	Finance and Admin	Corporate and Community Services	Technical Services	Total
Revenue					
Service Charges	-	-	-	28 016 834	28 016 834
Rental of Facilities and Equipment	-	-	244 583	10 375	254 958
Licences and Permits	-	17 904	1 534 712	-	1 552 616
Other Income	-	48 457	2 824 342	26 662	2 899 461
Interest Received	-	342 650	544 754	-	887 404
Fair Value Adjustments	-	198 897	-	-	198 897
Actuarial Gains	-	627 274	-	-	627 274
Property Rates	-	13 373 111	9 138 516	-	22 511 627
Property Rates - Penalties Imposed	-	1 336 724	-	-	1 336 724
Government Grants & Subsidies	-	89 460 943	1 177 000	51 528 000	142 165 943
Fines, Penalties and Forfeits	-	398 200	-	-	398 200
Total segment revenue	**-**	**105 804 160**	**15 463 907**	**79 581 871**	**200 849 938**
Entity's revenue					**200 849 938**

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

	Executive and Council	Finance and Admin	Corporate and Community Services	Technical Services	Total
Expenditure					
Employee Related Costs	3 514 392	10 564 189	27 549 039	17 085 090	58 712 710
Remuneration of Councillors	8 949 874	-	-	-	8 949 874
Depreciation and Amortisation	-	19 256 799	16 186	4 991 610	24 264 595
Asset Impairment	-	7 376	-	-	7 376
Interest Paid	-	235 466	-	-	235 466
Lease Rentals on Operating Lease	-	-	631 034	594 753	1 225 787
Bad Debts Written-Off	-	9 651 776	-	-	9 651 776
Bulk Purchases	-	-	22 585 991	-	22 585 991
Contracted Services	8 372 274	7 893 558	9 335 267	18 183 945	43 785 044
Operational Costs	2 575 727	5 514 840	11 569 818	11 336 462	30 996 847
Total segment expenditure	**23 412 267**	**53 124 004**	**71 687 335**	**52 191 860**	**200 415 466**
Total segmental surplus/(deficit)					**434 472**
Assets					
Inventories	-	643 891	-	-	643 891
Receivables from Non-Exchange Transactions	412 560	13 117 927	8 296 934	-	21 827 421
VAT receivable	-	2 500 283	-	-	2 500 283
Receivables from Exchange Transactions	-	-	4 007 324	-	4 007 324
Cash and cash equivalents	-	3 629 730	-	-	3 629 730
Biological Assets	-	2 096 166	-	-	2 096 166
Investment Property	-	57 356	-	-	57 356
Property, Plant and Equipment	3 852 664	77 801 660	83 080 955	255 216 434	419 951 713
Intangible Assets	-	47 129	-	-	47 129
Heritage Assets	-	589	-	-	589
Total segment assets	**4 265 224**	**99 894 731**	**95 385 213**	**255 216 434**	**454 761 602**
Total assets as per Statement of financial Position					**454 761 602**

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

	Executive and Council	Finance and Admin	Corporate and Community Services	Technical Services	Total
Liabilities					
Payables from exchange transactions	18 872	43 996 032	-	-	44 014 904
Consumer deposits	-	1 008 109	-	-	1 008 109
Unspent conditional grants and receipts	-	100 000	-	-	100 000
Provisions	-	10 514 422	-	-	10 514 422
Employee benefits obligation	-	-	5 401 837	-	5 401 837
Total segment liabilities	**18 872**	**55 618 563**	**5 401 837**	**-**	**61 039 272**
Total liabilities as per Statement of financial Position					**61 039 272**

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

2021

	Executive and Council	Finance and Admin	Corporate and Community Services	Technical Serives	Total
Revenue					
Service charges	-	-	-	23 854 475	23 854 475
Rental of facilities and equipment	-	-	213 920	-	213 920
Licences and permits	-	34 055	1 646 156	-	1 680 211
Other income	-	456 341	-	1 191 196	1 647 537
Interest received	-	247 623	566 977	-	814 600
Fair value adjustments	-	686 195	-	-	686 195
Property rates	-	12 156 388	9 777 889	-	21 934 277
Property rates - penalties imposed	-	1 115 802	-	-	1 115 802
Grants	-	100 120 001	1 131 000	35 835 190	137 086 191
Fines, penalties and forfeits	-	195 240	-	-	195 240
Total segment revenue	**-**	**115 011 645**	**13 335 942**	**60 880 861**	**189 228 448**

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

Entity's revenue					**189 228 448**
Expenditure					
Employee related costs	5 036 518	6 484 027	26 866 246	18 659 216	57 046 007
Remuneration of councillors	9 998 814	-	-	-	9 998 814
Depreciation and amortisation	-	17 517 988	3 194	4 887 839	22 409 021
Operating leases	-	-	-	477 284	477 284
Finance costs	-	364 678	-	-	364 678
Bad debts written off	-	378 738	-	-	378 738
Bulk purchases	-	-	-	19 361 792	19 361 792
Contracted services	3 744 173	6 623 953	2 849 650	13 264 226	26 482 002
Acturial (gain)/loss	-	1 379 636	-	-	1 379 636
Loss on disposal of assets	-	29 143	-	-	29 143
Operational costs	1 398 193	12 443 692	8 423 503	3 145 457	25 410 845
Total segment expenditure	**20 177 698**	**45 221 855**	**38 142 593**	**59 795 814**	**163 337 960**
Total segmental surplus/(deficit)					**25 890 488**
Assets					
Inventories	-	971 780	-	-	971 780
Receivables from non-exchange transactions	-	22 149 943	-	-	22 149 943
VAT receivable	-	4 974 641	-	-	4 974 641
Receivables from exchange transactions	-	5 409 546	-	280 689	5 690 235
Cash and cash equivalents	-	4 662 192	-	-	4 662 192
Biological assets	-	1 897 270	-	-	1 897 270
Investment properties	-	75 135	-	-	75 135
Property, plant and equipment	83 073	71 534 151	79 340 263	247 649 458	398 606 945
Intangible assets	-	62 534	-	-	62 534
Heritage assets	-	589	-	-	589
Total segment assets	**83 073**	**111 737 781**	**79 340 263**	**247 930 147**	**439 091 264**
Total assets as per Statement of financial Position					**439 091 264**

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

	Executive and Council	Finance and Admin	Corporate and Community Services	Technical Serives	Total
Liabilities					
Payables from exchange transactions	-	24 761 568	-	-	24 761 568
Consumer deposits	-	996 692	-	-	996 692
Unspent conditional grants and receipts	-	1 730 944	-	100 000	1 830 944
Provisions	-	12 080 619	-	-	12 080 619
Employee benefits	-	6 133 581	-	-	6 133 581
Total segment liabilities	**-**	**45 703 404**	**-**	**100 000**	**45 803 404**
Total liabilities as per Statement of financial Position					**45 803 404**

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

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

56. Budget differences

Material differences between budget and actual amounts

A 1 - Services Charges - The municipality had anticipated an increase in service charges revenue base as a result of sale of properties/sites but due to unforseen circumstances like looting that took place in July 2021 some potential property developers withdrew their investments.

A 2 - Other revenue - The municipality was anticipating to raise revenue from sale of property/sites which didn't materialise due to unforeseen circumstances like the looting that took place in July 2021.

A 3 - Gains - The municipality had anticipated to dispose off some muncipal assets which ended up happening after year end.

A 4 - Property rates - The municipality had anticipated an increase in property rates revenue base as a result of sale of properties/sites but due to unforseen circumstances like looting that took place in July 2021 some potential property developers withdrew their investments.

A 5 - Fines, Penalties and Forfeits - The municipality anticipated to appoint the service provider to assist with with traffic fines management but due to unforseen circurmstances that process was delayed.

A 6 - Depreciation and Amortisation - The municipality had plan to dispose off some municipal assets during the year which was delayed by unforseen circumstances and took place after year end also the additions for the year, capital projects completed during the financial year increase the anticipated depreciation for the year.

A 7 - Contracted Services - The municipality had to avoid operational disruptions and the need to speed up service delivery to the community of Mthonjaneni.

A 8 - General Expenses - The municipality had to avoid operational disruptions and the need to speed up service delivery to the community of Mthonjaneni.

57. COVID-19 Response Expenditure

Due to the coronavirus pandemic, the president of the Republic of South Africa had to announce a declaration of a national state of distater on 15 March 2020. Then on 18 March 2020, the regulations were published under the Disaster Management Act No. 57 of 2002 on steps to prevent an escalation of the disaster or to alleviate, contain and minimize the effects of the Disaster.

It became clear that the municipalties had to consider measures to give effect to the programme of preventing the spread of the virus. This meant that there would be procurement of goods and services in high volumes and the demanf in the market would be procurement of goods and services in high volumes and the demand in the market would be very high volumes and the demand in the market would be very high. The market situation would conspicuously lead to uncompetitive and inflated prices of such goods and services.

Covid-19 pandemic had a negative impact in the country and the world for the past 2 – 3 years. We started a financial year with the country being in adjusted alert level 4 lockdown in the National Sate of Disaster. The municipality like any other organizations was still expected to observe the necessary protocol as required and this was accompanied by some expenditure. Which has since been lifted on 5 April 2022.

Details of Funding for Covid-19 expenditure:

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

57. COVID-19 Response Expenditure (continued)

Summary per category		
Community and social services	-	82 524
General	-	100 085
Feeding/ Food distribution	-	420 000
Health	-	790 093
	-	**1 392 702**

Community and social services		
Town clearing	-	82 524

Health		
Cost of Screening and Testing	-	16 900
Masks	1 000 306	173 172
Sanitizers	588 507	449 713
Gloves	-	23 411
Medical Examination	-	84 830
Car Fogging Sprays	-	28 798
	1 588 813	**776 824**

General		
Office screens	-	18 676
Sanitisation of office Buildings	-	81 409
	-	**100 085**

Feeding/ Food distribution		
Covid 19 Relief - food parcels	-	420 000

Mthonjaneni Local Municipality

(Registration number KZN 285)
Annual Financial Statements for the year ended 30 June 2022

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	32 606 254	-	32 606 254	-		32 606 254	22 511 627		(10 094 627)	69 %	69 %
Property rates - penalties imposed	1 900 000	-	1 900 000	-		1 900 000	1 336 724		(563 276)	70 %	70 %
Service charges	36 063 019	-	36 063 019	-		36 063 019	28 016 834		(8 046 185)	78 %	78 %
Rental of facilities and equipment	450 000	-	450 000	-		450 000	254 958		(195 042)	57 %	57 %
Licences and permits	2 208 070	-	2 208 070	-		2 208 070	1 552 616		(655 454)	70 %	70 %
Other revenue	2 991 320	200 000	3 191 320	-		3 191 320	2 899 461		(291 859)	91 %	97 %
Gains	1 500 000	-	1 500 000	-		1 500 000	198 897		(1 301 103)	13 %	13 %
Interest received - investment	1 200 000	-	1 200 000	-		1 200 000	887 404		(312 596)	74 %	74 %
Government grants & subsidies	92 528 000	-	92 528 000	-		92 528 000	92 528 943		943	100 %	100 %
Fines, Penalties and Forfeits	1 003 314	3 000 000	4 003 314	-		4 003 314	398 200		(3 605 114)	10 %	40 %
Total revenue (excluding capital transfers and contributions)	**172 449 977**	**3 200 000**	**175 649 977**	-		**175 649 977**	**150 585 664**		**(25 064 313)**	**86 %**	**87 %**
Employee Related costs	(57 823 856)	(427 886)	(58 251 742)	-	-	(58 251 742)	(58 712 710)	-	(460 968)	101 %	102 %
Remuneration of councillors	(9 633 145)	(90 093)	(9 723 238)	-	-	(9 723 238)	(8 949 874)	-	773 364	92 %	93 %
Inventory consumed	(3 546 000)	(1 029 928)	(4 575 928)	-	-	(4 575 928)	-	-	4 575 928	- %	- %
Depreciation and Amortisation	(18 287 069)	2 960 000	(15 327 069)			(15 327 069)	(24 264 595)	-	(8 937 526)	158 %	133 %
Impairments loss/ Reversal of impairments	-	-	-	-	-	-	(7 376)	-	(7 376)	DIV/0 %	DIV/0 %
Finance costs	-	(50 000)	(50 000)	-	-	(50 000)	(235 466)	-	(185 466)	471 %	DIV/0 %

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
Lease rentals on operating lease	-	-	-	-	-	-	(1 225 787)	-	(1 225 787)	DIV/0 %	DIV/0 %
Debt impairment	(6 725 848)	4 000 000	(2 725 848)	-	-	(2 725 848)	-	-	2 725 848	- %	- %
Bad debts written off	-	-	-	-	-	-	(9 651 776)	-	(9 651 776)	DIV/0 %	DIV/0 %
Bulk purchases	(26 469 380)	4 984 000	(21 485 380)	-	-	(21 485 380)	(22 585 991)	-	(1 100 611)	105 %	85 %
Contracted Services	(23 088 091)	(10 090 574)	(33 178 665)	-	-	(33 178 665)	(43 785 044)	-	(10 606 379)	132 %	190 %
General expenses	(19 128 630)	(4 630 385)	(23 759 015)	-	-	(23 759 015)	(30 996 848)	-	(7 237 833)	130 %	162 %
Total Expenditure	**(164 702 019)**	**(4 374 866)**	**(169 076 885)**	**-**	**-**	**(169 076 885)**	**(200 415 467)**	**-**	**(31 338 582)**	**119 %**	**122 %**
Surplus/(Deficit)	**7 747 958**	**(1 174 866)**	**6 573 092**	**-**		**6 573 092**	**(49 829 803)**		**(56 402 895)**	**(758)%**	**(643)%**
Transfers recognised - capital	39 637 000	10 000 000	49 637 000	-		49 637 000	49 637 000		-	100 %	125 %
Acturial gains	-	-	-	-		-	627 274		627 274	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**47 384 958**	**8 825 134**	**56 210 092**	**-**		**56 210 092**	**434 471**		**(55 775 621)**	**1 %**	**1 %**
Surplus/(Deficit) for the year	**47 384 958**	**8 825 134**	**56 210 092**	**-**		**56 210 092**	**434 471**		**(55 775 621)**	**1 %**	**1 %**

Capital expenditure and funds sources

Total capital expenditure	-	-	-	-		-	35 557 434		35 557 434	DIV/0 %	DIV/0 %

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	56 766 530	(557 272)	56 209 258	-		56 209 258	44 327 383		(11 881 875)	79 %	78 %
Net cash from (used) investing	(44 777 000)	(9 053 480)	(53 830 480)	-		(53 830 480)	(45 359 845)		8 470 635	84 %	101 %
Net increase/(decrease) in cash and cash equivalents	**11 989 530**	**(9 610 752)**	**2 378 778**	**-**		**2 378 778**	**(1 032 462)**		**(3 411 240)**	**(43)%**	**(9)%**
Cash and cash equivalents at the beginning of the year	4 814 296	(152 104)	4 662 192	-		4 662 192	4 662 192		-	100 %	97 %
Cash and cash equivalents at year end	**16 803 826**	**(9 762 856)**	**7 040 970**	**-**		**7 040 970**	**3 629 730**		**3 411 240**	**52 %**	**22 %**