Umzimkhulu Local Municipality
Annual Financial Statements
for the period ended 30 June 2022

General Information

Legal form of entity	Local Municipality in terms of section 1 of the local government: Municipality Structures Act (Act 117 of 1998) read with section 155(1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of public services to communities in a sustanable manner, to promote social and economic development and promote a safe and healthy environment
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (Act no 6 of 2004) Division of Revenue Act (Act 1 of 2007)
Mayoral Committee	
Mayor	Cllr M Msiya
Deputy Mayor	Cllr B Lukakayi
Speaker	Cllr Mavuma
Chief Whip	Cllr B Kleinbooi
Members of the Executive Committee	Cllr S Sofunani
Members of the Executive Committee	Cllr M Didi
Members of the Executive Committee	Cllr X Memela
Members of the Executive Committee	Cllr M Dubazana
Members of the Executive Committee	Cllr K Mafuleka
Members of the Executive Committee	Cllr N Jaca
Bankers	First National Bank
Auditors	Auditor-General of South Africa
Registered office and business address	169 Main Street Umzimkhulu 3297
Postal address	P O Box 53 Umzimkhulu 3297
Telephone number	039 259 5000
Fax number	039 259 0427
Email address	info@umzimkhululm.gov.za

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

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Approval of the Annual Financial Statements

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 statements and related financial information included in this report. It is my responsibility, as the Accounting Officer to ensure that these financial statements fairly present the state of the 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 annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant 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.

I acknowledge that I am 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 me to meet these responsibilities, I have set 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 annual financial statements are prepared on the basis that the municipality is a going concern and that the Umzimkhulu Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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 accounting officer confirms that salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution

The annual annual financial statements set out on pages 4 to 80, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2022

Mr K V Nyamela
Acting Accounting officer

Statement of Financial Position as at June 30, 2022

Figures in Rands	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	182,725,762	210,513,534
Receivables from exchange transactions	3	2,573,354	3,018,380
Receivables from non-exchange transactions	4	2,559,677	5,042,827
VAT receivable	5	6,714,565	5,955,853
		194,573,358	**224,530,594**
Non-Current Assets			
Investment property	6	31,048,236	31,078,409
Property, plant and equipment	7	534,313,324	507,478,212
Intangible assets	8	490,186	866,064
Heritage assets	9	432,000	432,000
Other Investments	48	73,857,269	30,379,144
		640,141,015	**570,233,829**
Total Assets		**834,714,373**	**794,764,423**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	21,843,849	17,200,631
Unspent conditional grants movements	11	1,597,415	5,113,271
Unspent Agent funds	12	10,091,477	-
Employee benefit obligation	13	722,528	700,457
Provisions	14	5,748,756	-
		40,004,025	**23,014,359**
Non-Current Liabilities			
Employee benefit obligation	13	4,969,075	4,929,792
Provisions	14	-	4,570,086
		4,969,075	**9,499,878**
Total Liabilities		**44,973,100**	**32,514,237**
Net Assets		**789,741,273**	**762,250,186**
Reserves			
Housing Development fund	15	20,994,189	21,650,398
Accumulated surplus	16	768,747,084	740,599,788
Total Net Assets		**789,741,273**	**762,250,186**

Statement of Financial Performance

Figures in Rands	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Interest received - investment	17	9,372,691	8,714,604
Rental of facilities and equipment	18	1,440,720	1,324,988
Agency services	19	1,401,794	1,535,286
Service charges	22	2,984,331	2,890,854
Interest received (trading)	21	340,224	409,174
Licences and permits		17,502	70,873
Other income	23	537,794	1,204,394
Gain on non-current assets disposed		3,130	500
Total revenue from exchange transactions		**16,098,186**	**16,150,673**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	9,403,259	9,483,862
Transfer revenue			
Government grants & subsidies	25	275,028,856	327,269,210
Donations		225,000	-
Fines, penalties and forfeits	20	628,044	748,405
Total revenue from non-exchange transactions		**285,285,159**	**337,501,477**
Total revenue	26	**301,383,345**	**353,652,150**
Expenditure			
Employee related costs	27	(113,996,177)	(109,618,152)
Remuneration of councillors	28	(17,515,769)	(16,267,338)
Bad debts written-off	29	(695,022)	(958,121)
Depreciation and amortisation	30	(41,970,770)	(38,288,570)
Finance costs	31	(2,265,128)	(837,932)
Lease rentals on operating lease		(476,092)	(476,092)
Contracted services	33	(37,854,025)	(34,843,101)
Transfers and Subsidies		(756,000)	(614,000)
Impairment loss	49	(5,092,079)	(16,457,489)
General Expenses	32	(51,188,893)	(40,818,819)
Total expenditure		**(271,809,955)**	**(259,179,614)**
Surplus for the year from continuing operations		**29,573,390**	**94,472,536**
Gains/ losses on disposal of assets	49	(2,569,995)	(72,247)
Surplus for the year		**27,003,395**	**94,400,289**

Statement of Changes in Net Assets

Figures in Rands	Housing Development Fund	Accumulated surplus	Total net assets
Balance at July 1, 2020	**24,840,303**	**642,108,613**	**666,948,916**
Changes in net assets			
Surplus for the year	-	94,833,778	94,833,778
Interest on housing development fund	467,492	-	467,492
Housing dev payments	(3,657,397)	3,657,397	-
Total changes	(3,189,905)	98,491,175	95,301,270
Opening balance as previously reported	21,650,398	740,166,300	761,816,698
Adjustments			
Correction of prior period errors (Note 45)	-	433,493	433,493
Restated* Balance at July 1, 2021 as restated*	**21,650,398**	**740,599,793**	**762,250,191**
Changes in net assets			
Surplus for the year	-	27,003,395	27,003,395
Interest on Housing development fund	487,687	-	487,687
Housing development payments	(1,143,896)	1,143,896	-
Total changes	(656,209)	28,147,291	27,491,082
Balance at June 30, 2022	**20,994,189**	**768,747,084**	**789,741,273**
Note(s)	15		

Cash Flow Statement

Figures in Rands	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Receipts from ratepayers and other services		15,188,072	15,577,545
Government Grants and subsidies		271,513,000	293,338,001
Interest income		5,894,567	8,714,604
Funds receipts		14,576,000	6,000,000
		307,171,639	323,630,150
Payments			
Employee costs		(132,047,713)	(125,885,490)
Suppliers and other payments		(86,448,195)	(80,506,507)
Payments from funds		(4,484,523)	(18,016,977)
		(222,980,431)	(224,408,974)
Net cash flows from operating activities	35	**84,191,208**	**99,221,176**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(71,755,490)	(104,116,796)
Purchase of other intangible assets	8	(223,490)	(775,103)
Investments		(40,000,000)	(30,000,000)
Net cash flows from investing activities		**(111,978,980)**	**(134,891,899)**
Net increase/(decrease) in cash and cash equivalents		**(27,787,772)**	**(35,670,723)**
Cash and cash equivalents at the beginning of the year		210,513,534	246,184,257
Cash and cash equivalents at the end of the year	2	**182,725,762**	**210,513,534**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of comparison of budget and actual amounts

Figures in Rands

	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	10,865,221	(2,164,909)	8,700,312	-		8,700,312	9,403,259		702,947	108 %	87 %
Service charges	3,090,601	(116,829)	2,973,772	-		2,973,772	2,984,331		10,559	100 %	97 %
Interest recevied- Investments	6,191,842	2,123,232	8,315,074	-		8,315,074	9,372,691		1,057,617	113 %	151 %
Government grants & subsidies	217,489,000	37,434,982	254,923,982	-		254,923,982	218,356,856		(36,567,126)	86 %	100 %
Other own revenue	1,461,556	193,170	1,654,726	-		1,654,726	537,794		(1,116,932)	33 %	37 %
Rental of facilities and equipment	548,145	(32,981)	515,164	-		515,164	1,410,831		895,667	274 %	257 %
Interest received- trading	458,160	(111,555)	346,605	-		346,605	340,224		(6,381)	98 %	74 %
Agency services	1,350,000	50,000	1,400,000	-		1,400,000	1,401,794		1,794	100 %	104 %
Licences and permits	50,000	-	50,000	-		50,000	17,502		(32,498)	35 %	35 %
FInes, penulties and forfeits	701,500	(500)	701,000	-		701,000	628,044		(72,956)	90 %	90 %
Donations	-	-	-	-		-	225,000		225,000	DIV/0 %	DIV/0 %
Gain on non-current assets disposed	-	2,130	2,130	-		2,130	3,130		1,000	147 %	DIV/0 %
Total revenue (excluding capital transfers and contributions)	**242,206,025**	**37,376,740**	**279,582,765**	**-**		**279,582,765**	**244,681,456**		**(34,901,309)**	**88 %**	**101 %**
Employee related costs	(118,314,321)	1,905,506	(116,408,815)	-	-	(116,408,815)	(113,996,177)	-	2,412,638	98 %	96 %
Remuneration of councillors	(18,980,271)	-	(18,980,271)	-	-	(18,980,271)	(17,515,769)	-	1,464,502	92 %	92 %
bad debts written off	(2,758,000)	188,000	(2,570,000)			(2,570,000)	(695,022)	-	1,874,978	27 %	25 %
Depreciation and asset impairment	(51,913,305)	4,395,298	(47,518,007)			(47,518,007)	(41,970,770)	-	5,547,237	88 %	81 %
Finance costs	-	-	-	-	-	-	(2,265,128)	-	(2,265,128)	DIV/0 %	DIV/0 %
Transfers and subsidies	(180,000)	-	(180,000)	-	-	(180,000)	(756,000)	-	(576,000)	420 %	420 %
General expenses	(57,296,800)	(3,558,200)	(60,855,000)	-	(631,050)	(61,486,050)	(49,616,137)	-	11,869,913	81 %	87 %

Statement of Comparison of Budget and Actual Amounts

Figures in Rands

	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
Other materials	(8,130,000)	1,350,000	(6,780,000)	-	588,960	(6,191,040)	(1,572,756)	-	4,618,284	25 %	19 %
Contracted services	(78,128,000)	10,789,220	(67,338,780)	-	42,090	(67,296,690)	(37,854,025)	-	29,442,665	56 %	48 %
Lease rentals on operating lease	-	-	-	-	-	-	(476,092)	-	(476,092)	DIV/0 %	DIV/0 %
Impairment loss	-	-	-	-	-	-	(5,092,079)	-	(5,092,079)	DIV/0 %	DIV/0 %
Total expenditure	**(335,700,697)**	**15,069,824**	**(320,630,873)**	**-**	**-**	**(320,630,873)**	**(271,809,955)**	**-**	**48,820,918**	**85 %**	**81 %**
Surplus/(Deficit)	**(93,494,672)**	**52,446,564**	**(41,048,108)**	**-**		**(41,048,108)**	**(27,128,499)**		**13,919,609**	**66 %**	**29 %**
Transfers recognised - capital	56,672,000	-	56,672,000	-		56,672,000	56,672,000		-	100 %	100 %
Surplus (Deficit) after capital transfers and contributions	**(36,822,672)**	**52,446,564**	**15,623,892**	**-**		**15,623,892**	**29,543,501**		**13,919,609**	**189 %**	**(80)%**
Surplus/(Deficit) for the year	**(36,822,672)**	**52,446,564**	**15,623,892**	**-**		**15,623,892**	**29,543,501**		**13,919,609**	**189 %**	**(80)%**

Capital expenditure and funds sources

	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
Total capital expenditure	120,404,000	9,898,969	130,302,969	-		130,302,969	103,002,424		(27,300,545)	79 %	86 %
Sources of capital funds											
Transfers recognised - capital	56,672,000	-	56,672,000	-		56,672,000	56,672,000		-	100 %	100 %
Internally generated funds	63,732,000	9,898,969	73,630,969	-		73,630,969	23,866,634		(49,764,335)	32 %	37 %
Total sources of capital funds	**120,404,000**	**9,898,969**	**130,302,969**	**-**		**130,302,969**	**80,538,634**		**(49,764,335)**	**62 %**	**67 %**

Statement of Comparison of Budget and Actual Amounts

Figures in Rands

	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	(2,635,000)	-	(2,635,000)	26,397,000		23,762,000	84,191,208		60,429,208	354 %	(3,195)%
Net cash from (used) investing	(120,404,000)	-	(120,404,000)	(9,899,000)		(130,303,000)	(111,978,980)		18,324,020	86 %	93 %
Net increase/(decrease) in cash and cash equivalents	**(123,039,000)**	**-**	**(123,039,000)**	**16,498,000**		**(106,541,000)**	**(27,787,772)**		**78,753,228**	**26 %**	**23 %**
Cash and cash equivalents at the beginning of the year	229,696,000	-	229,696,000	(19,212,000)		210,484,000	210,513,534		29,534	100 %	92 %
Cash and cash equivalents at year end	**106,657,000**	**-**	**106,657,000**	**(2,714,000)**		**103,943,000**	**182,725,762**		**(78,782,762)**	**176 %**	**171 %**

The variance explanations on the difference between the budget and actual are on note 46, page76.

Summary of Significant 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.

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

- GRAP 1 Presentation of Financial Statement
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Error
- GRAP 5 Borrowing Costs
- GRAP 9 Revenue from Exchange Transactions
  Grap 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events after the Reporting Date
- GRAP 16 Investment property
- GRAP 17 Property, Plant and Equipment
- GRAP 18 Segment Reporting
- GRAP 19 Provisions, Contingent Liabilities and Contingent Asset
- GRAP 20 Related Party
- GRAP 21 Impairment of non-cash generating asset
- GRAP 23 Revenue from Non-exchange transactions
- GRAP 24 Presentation of budget information
- GRAP 25 Employee benefits
- GRAP 26 Impairment of cash generating assets
- GRAP 31 Intangible Assets
- GRAP 100 Non-Current Assets Held for Sale and Discontinued Operations
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- GRAP 106 Transfer of Functions between entities not under common Control
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the Municipality:
- IGRAP 21 The effect of past decisions on materiality - effective 1 April 2023
- IGRAP 32 The limit on a defined benefit asst, minimum funding requirements and their interaction - no effective date yet)

The following GRAP standards have been issued and effective but are not applicable to the Municipality.
- GRAP 4 The effects of changes in foreign exchange rates
- GRAP 6 Consolidated and separate financial statements
- GRAP 7 Investments in associate
- GRAP 8 Interest in joint ventures
- GRAP 10 Financial reporting in hyperinflationary economics
- GRAP 27 Agriculture
- GRAP 32 Standard of GRAP on Service Concession Arrangements: Grantor

1.1.1 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.

Materiality has been considered in determining whether information is required to be recognised, measured, presented and disclosed in accordance with the requirements in the Standards of GRAP as well as assessing the effect of omissions,

Summary of Significant Accounting Policies

misstatements and errors on the financial statements.

Budget information

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

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

Variances between budget and actual amounts are regarded as material when there is a variance of: - 10% or greater in the statement of financial position, the statement of financial performance and the cash flow statement.

1.1.2 Changes in accounting policies, esimates and errors

Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

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

Change in an accounting estimate is recognised prospectively in terms of GRAP 3 by including it in surplus or deficit in:

(a) The period of the change, if the change affects that period only; or

(b) The period of the change and future periods, if the change affects both

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

The municipality changes an accounting policy only in the following instances:
(a) Is required by a Standard of GRAP; or
(b) Results in the annual financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.2 Presentation currency

These annual financial statements are presented in South African Rand. The figures are rounded off to the nearest rand.

1.3 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.

1.4 Comparative figures

Prior year Comparative

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

Summary of Significant Accounting Policies

. Comparative figures (continued)

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

Current year Comparative

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.5 Critical judgements, estimation and assumptions

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts presented 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:

1.5.1 Revenue recognition

Accounting policy 1.18 on Revenue from exchange Transactions and accounting policy 1.19 of Revenue from non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.5.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 1.12.1 on Financial Assets Classification and on Financial Liabilities Classification describes the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

1.5.3 Impairment of financial assets

Accounting Policy 1.24 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial instruments and used its judgement to select a variety of methods and made assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment value of financial assets recorded during the year is appropriate.

1.5.4 Useful lives of property, plant and equipment, intangible assets and investment property

As described in Accounting Policies 1.7, 1.8 and 1.9 the municipality depreciates/ amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the underlying assets. The estimated useful lives of PPE, investment property and intangible assets are assessed annually and this is dependent on the condition of the assets. The residual values are estimated to be zero as the municipality will be utilising these assets of their entire economic life.

Summary of Significant Accounting Policies

. Critical judgements, estimation and assumptions (continued)

1.5.5 Impairment of property, plant and equipment and intangible assets

Accounting Policy 1.8.3 on PPE - Impairment of assets and Accounting Policy 1.9.3 on Intangible assets- Amortisation and impairment. Subsequent measurement describes the conditions under which non- financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing and intangible assets impairment testing

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

1.5.6 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 14 - Provisions.

1.5.7 Post Retirement Benefits

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

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

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

1.5.8 Principal versus agent relationship

Judgement has been used in assessing and categorising the nature of the respective and independent arrangements between the Municipality and Eskom as done in conjunction with and partly through the National Department of Energy.

1.6 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Summary of Significant Accounting Policies

1.7 Investment property

1.7.1 Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under an operating lease held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

1.7.2 Subsequent measurement

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

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

Investment property	30-50 years

1.7.3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) 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.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.8 Property, plant and equipment

1.8.1 Initial recognition

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Summary of Significant Accounting Policies

. Property, plant and equipment (continued)

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

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

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

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

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.

1.8.2 Subsequent measurement

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

1.8.3 Depreciation and impairment

Property, plant and equipment is depreciated on the straight line basis over their expected useful lives of assets.

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

Item	**Average useful life**
Land	Indefinate
Buildings	30-50 years
Infrastructure	
• Roads	10 years
• Stormwater drains	20-50 years
• Bridges	30-50 years
Community	
• Community halls	30-50 years
• Sport staduims	20-50 years
• Landfill site	15 years
Other fixed assets	
• Motor vehicles	5-10 years
• Office equipment	3-10 years
• Furniture and fittings	7-10 years
• TLB Graders	10-15 years
• Tractors	10-15 years
• Tipper Trucks	10-15 years
• Other plant and machinery	5-15 years
• Air conditioners	5-7 years
• Computer hardware	5 years

The useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

Summary of Significant Accounting Policies

. Property, plant and equipment (continued)

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

1.8.4 Derecognition

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

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

1.8.5 Work in progress

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

1.8.6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

1.8.7 Infrastructure assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

1.9 Intangible assets

1.9.1 Initial recognition

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.

1.9.2 Subsequent measurement

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

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

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

1.9.3 Amortisation and impairment

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:

Summary of Significant Accounting Policies

. Intangible assets (continued)

Item	**Useful life**
Computer software, other	3-5 years

1.9.4 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

1.10 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.11 Heritage assets

The Municipality classifies assets as heritage assets where the significance as a heritage asset can be determined. In regards to land and buildings all graded sites are classified a Heritage Assets. Furthermore, land with a natural significance is not componentised but seen as a single Heritage Asset due to all parts contributing together to make up its significance.

Land and buildings that qualify as Heritage assets, but of which a significant portion of that land and buildings is held for use in the production or supply of goods or services or for administrative purposes, are recognised as property, plant and equipment, rather than heritage assets.

1.11.1 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.

. Heritage assets (continued)

1.11.2 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.

1.11.3 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.

Heritage assets are not depreciated.

1.11.4 Impairment

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

1.11.5 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.

1.11.6 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).

1.12 Financial instruments

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

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

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

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

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

. Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Summary of Significant Accounting Policies

. Financial instruments (continued)

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

1.12.1 Classification

In accordance with GRAP 104 Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost.The Municipality determines the classification of its financial instruments at initial recognition.

The municipality's SOFpos shows the following categories of financial assets: Which consist of cash and cash equivalents, deposits, receivables and investments.

Financial liabilities of the municipality consist of payables and therefore correct reference must be made to financial assets and financial liabilities rather than making generic references.

1.12.2 Initial recognition

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

The entity recognises financial assets using trade date accounting.

Summary of Significant Accounting Policies

. Financial instruments (continued)

1.12.3 Initial measurement of financial assets and financial liabilities

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

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.12.4 Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost.

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

1.12.5 Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Summary of Significant Accounting Policies

. Financial instruments (continued)

1.12.6 Derecognition

1.12.6.1 Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, 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 entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

1.12.6.2 Financial liabilities

The entity 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.

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.

Summary of Significant Accounting Policies

. Financial instruments (continued)

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 entity 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).

1.12.7 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 entity 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 entity does not offset the transferred asset and the associated liability.

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 purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.13 Unauthorised expenditure

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

1.14 Fruitless and wasteful expenditure

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

Where it is not possible to recover the revenue recognised from fruitless and wasteful, the receivable is written-off following proper write off processes in terms of the MFMA.

1.15 Irregular expenditure

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

Summary of Significant Accounting Policies

1.16 Provisions and contingencies

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

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

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

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.

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

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

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

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

Provisions are not recognised for future operating deficits.

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 municipality 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 36.

1.17 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.

Summary of Significant Accounting Policies

. Leases (continued)

1.17.1 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.

1.17.2 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.

1.18 Revenue from exchange transactions

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

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

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

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

Revenue arising out of situations where the municipality acts as an agent on behalf of another municipality (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services. Such transactions are accounted for in accordance with the standard on principals and agents

1.18.1 Measurement

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

1.18.2 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.

Summary of Significant Accounting Policies

. Revenue from exchange transactions (continued)

1.18.3 Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.18.4 Interest

Revenue arising from the use by others of entity assets yielding interest 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.

1.19 Revenue from non-exchange transactions

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

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

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

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.

1.19.1 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.

Summary of Significant Accounting Policies

. Revenue from non-exchange transactions (continued)

1.19.2 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.

1.19.3 Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

1.19.4 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.

1.19.5 Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

1.19.6 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.

. Revenue from non-exchange transactions (continued)

1.19.7 Bequests

Bequests that satisfy the definition of an asset 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.

1.19.8 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.

1.19.9 Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related 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.

Where services in-kind are not significant to the municipality’s operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Services in-kind are not recognised.

1.20 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.21 Investment income

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

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

1.22 Borrowing costs

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

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

1.23 Employee benefits

1.23.1 Short-term employee benefits

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

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

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

1.23.2 Retirement benefits

Summary of Significant Accounting Policies

. Employee benefits (continued)

Whilst employees and councillors are employed by the municipality, the municipality contributes to their medical and pension funds. On termination, resignation or retirement of employees and councillors the municipality no longer contributes to the medical and pension funds on their behalf and thus there are no post- employment benefits.

1.23.3 Long service awards

Provision for long services awards represents the present value of the estimated future cash outflow to be made by the municipality resulting from employee services provided up to Statement of Financial Position date. The provision comprises of amounts that the Municipality has a present obligation to pay resulting for employees services provided up to Statement of Financial Position date. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities.

The leave may wholly or partially converted into cash and or sick leave on the date on which the employees qualifies therefore or at any stages. On termination of service of an employee with ten (10) or more year's service, for reason of retirement, death, medical incapacity or retrenchment, leave shall be paid out to an employee on a pro rata basis.Any special leave accrued in this manner will become payable upon termination for whatever reason and not form part of vacation leave credit

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance. The Municipality recognises the expected cost of bonus, incentive and performance related payments when and only when: (a) it has a present legal or constructive obligation to make such payments as a result of past events, (b) a reliable estimate of the obligation can be made.

Defined contribution plans

A defined contribution plan is a post-employment pension plan under which the municipality pays fixed contributions into a separate entity (a fund). The municipality has no further payment obligations once the contributions have been paid. Accordingly, the municipality recognises the contributions to the scheme as an expense when the employees have rendered a service. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Termination benefits

Termination benefits are recognised when they accrue to employees.

Summary of Significant Accounting Policies

. Employee benefits (continued)

1.23.4 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.

1.24 Impairment of non-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.

Non-cash-generating assets are assets other than cash-generating assets.

The municipality currently has only non-cash-generating assets as all of it asset are purely used for service delivery.

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 managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset’s 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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-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 non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

Reversal of an impairment loss

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

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

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

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

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

In assessing whether there is any indication that an asset may be impaired, the following have been considered:

External sources of information

Cessation or near cessation, of the demand or need for services provided by the asset
Significant long-term changes with an adverse effect on the entity that have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the municipality operates.

Internal sources of information

Evidence of physical damage of an asset Increased expenditure on repairs and maintenance on the asset.

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or circumstances indicate that the serviceable amount may not be recoverable.

An impairment loss is recognized for the amount by which the carrying amount exceeds the recoverable service amount.

The recoverable service amount is the higher of the assets fair value less cost to sell, or its value in use.

The value in use 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.

Summary of Significant Accounting Policies

1.25 Value added tax

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

1.26 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.

The cost method is the method used to account for statutory receivables that requires such eceivables 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 purposes of the Standard of GRAP on Statutory Receivables) 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 accounting policy on Revenue from exchange transactions;
• if the transaction is a non-exchange transaction, using the accounting policy on Revenue from non-exchange transactions (Taxes and transfers); or
• if the transaction is not within the scope of the accounting 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 municipality and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount. Subsequent measurement
The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
• interest or other charges that may have accrued on the receivable (where applicable);
• impairment losses; and
• amounts derecognised. Accrued interest Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate. Interest on statutory receivables is recognised as revenue in accordance with the accounting policy on Revenue from exchange transactions or the accounting policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting 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 receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
• it is probable that the receivable 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, t he 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 through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.
An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable, or group of statutory receivables exceeding what the carrying amount of the

Summary of Significant Accounting Policies

. Statutory receivables identification (continued)

receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
• the rights to the cash flows from the receivable are settled, expire or are waived;
• the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
• the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
- derecognises the receivable; and
- recognises 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 municipality 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.

Recievables that would fall under statutory receivables are as follows:
- Rates
- Fines

1.27 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The municipality is in possession of the interest portion of the funds that were kept by the municipality for a long time, and this interest is recorded as a reserve in municipal books, and can only be utilized in line with the conditions of Housing development funds, and upon approval from housing development.

1.28 Use of estimates

The preparation of annual annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.29 Related parties

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

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

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

Summary of Significant Accounting Policies

. Related parties (continued)

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

1.30 Segment information

A segment is an activity of an entity:

that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);

whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and for which separate financial information is available.

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

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

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

1.31 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 covers the fiscal period from 7/1/2021 to 6/30/2022.

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

1.32 Commitments

A commitment is a contract that is non-cancelable or only cancelable at significant cost, to the extent that the amount has not been recorded elsewhere in the financial statements.

Capital commitments are amounts committed to acquire goods and services which are of capital in nature, i.e.; upgrading and/or construction of assets.
These commitments are disclosed in the notes to the annual financial statements.
Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

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

Summary of Significant Accounting Policies

. Commitments (continued)

- 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.

1.33 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.

1.34 Payables from exchange transactions

The Municipality recognises payables from exhange transactions where liabilities result in counter performance by respective parties as a result of exchange transactions.

Payables from exchange transactions are initially measured at fair value. Where the ouflow is expected to be cash or another financial asset, the payable is classified as financial liability.

The Municipality recognises in payables an amount for accruals where an estimate is made of the amounts due for goods or services that have been received or supplied, but an invoice or formal request for payment has not been received at the reporting date.

1.35 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term liquid investments that are convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are classified as financial instruments (refer to note 2).

. Events after reporting date (continued)

1.36 Accounting by Principals and Agents

An entity is an agent when in relation to transactions with third parties all three of the following criteria are present:
That the entity concerned does not have the power to determine the significant terms and conditions of the transaction;
That it does not have the ability to use all or substantially all of the resources resulting from the transactions for its own benefit; and that it is not exposed to variability in the results of the transaction.

An exception will apply where an entity has been granted specific powers in terms of legislation to direct terms and conditions of particular transactions, in such a situation it shall not consider the 'not having the power to determine significant terms and conditions of the transaction' criteria to conclude that it is an agent. In such situations, the entity shall apply its own judgement in determining whether such powers exist and whether they are relevant in assessing an entity as an agent.

The Municipality has an agent-principal relationship with KZN Department of Transport, and Eskom administered in conjunction with and partly through the National Department of Energy.

KZN Department of Transport as principal

The Department is responsible for registration, licensing and testing functions in terms of applicable national and provincial road traffic legislation.
The Department, to provide greater access to clients throughout the Province, transfers specified registration, licensing and testing functions to appropriately identified agents, which act as agents for the Department to process these functions.
The Department and the Umzimkhulu Municipality entered into an agreement for the transfer of registration and licensing of motor vehicle and learners license testing functions.

ESKOM as the Principal

With respect to the Eskom principal / agency relationship the Municipality receives a conditional electrification grant from the National Department of Energy, the purpose of which is to address the electrification backlog of permanently occupied residential dwellings entailing the installation and rehabilitation of the electricity bulk infrastructure. The foregoing 'works' on infrastructure are done on behalf of and for the benefit of Eskom. In terms of the existing memorandum of understanding, Eskom approves the design and the construction / rehabilitation of each bulk infrastructure project embarked upon; with a final approval sign-off on project completion prior to the permanent transfer of the project on completion. There were no changes to the foregoing significant terms and conditions of the arrangement during the reporting period.

The foregoing arrangements have been accounted for in terms of the standard on accounting by principals and agents, wherein the Municipality is an agent and two parties referred to above are unrelated and independent principals. Practically, these arrangements have each been accounted for in terms of fund accounting; whereby the funds received are recognised as an effective liability in terms of fund accounting; and upon utilisation of the fund for the intended purposes in the manner described above, the respective fund is reduced by the total approved and compliant expenditure. Accordingly, at any reporting date, each respective fund represents the unexpended portion of the respective designated funds received from the respective principals inclusive of interest received, where expressly stipulated. Each of the funds are duly backed by the matching investment bank accounts at the reporting date. The nature and the identity of conditional capital grant received from the National Department of Energy, has been overridden by the principles of the principal / agent relationship amongst the parties involved and thus accounted for in terms of fund accounting.

There were resources that were duly recognised in the Municipality's financial statements yet held on the principal's behalf.
The only risks transferred from the respective principals to the Municipality are 'custody and potential workmanship error' risk on the development and selling of housing schemes as well respective construction and rehabilitation activities vis-à-vis the bulk electricity infrastructure during the construction and rehabilitation phase.

Figures in Rands	2022	2021

2. Cash and cash equivalents

Cash and cash equivalents consist of:

	2022	2021
Bank balances	6,179,237	5,274,933
Cash on hand	159	4,553
Short-term deposits	176,546,366	205,234,048
	182,725,762	**210,513,534**

The municipality's primary bank account is a public sector cheque account with First National Bank. The account is held at the Ixopo branch and the account number is 5255 573 0913.

Primary bank account details

Account number / description	**Bank statement balances**		**Cash book balances**	
	June 30, 2022	**June 30, 2021**	**June 30, 2022**	**June 30, 2021**
FNB- cheque account- 52555730913	1,669,642	2,061,754	6,179,237	5,245,044
MIG grant-FNB- 62123938055	7,099,496	5,833,983	6,687,546	5,833,983
Neighbourhood grant-FNB- 62174358525	-	3,160,813	-	3,160,813
Electricity-FNB-62174363508	11,408,003	261,861	8,337,107	261,861
Rietvlei/Cly surv-FNB- 62123938104	1,067,726	1,044,072	-	-
32 Days acc- FNB- 62132172355	139,311,696	140,820,058	137,039,663	136,949,205
Human settlement housing op acc- 62396633838	21,070,360	21,532,124	20,994,190	21,650,398
Small town dev-FNB- 62396640396	-	233,441	-	233,441
Sports grant-FNB- 62814621901	6,359,292	6,719,846	3,487,857	6,719,845
Nedbank-37165022759	-	30,424,501	-	30,424,501
Total	**187,986,215**	**212,092,453**	**182,725,600**	**210,479,091**

(Rietvlei/ Cly surv account) has been combined with Housing account on the MUNSOFT system.

The variances between the cash book balances and bank statement balances are caused by the outstanding payments and transfers between the accounts at the end of the financial year.

3. Receivables from exchange transactions

	2022	2021
Prepayments	1,951,036	2,392,573
Operating lease receivables	53,345	15,670
Consumer debtors - Other Rentals	146,603	163,576
Consumer debtors - Refuse	368,566	393,913
Sundry debtors	53,804	52,648
	2,573,354	**3,018,380**

Refuse		
Gross balance	7,640,373	6,537,019
Less: allowance for impairment	(7,271,806)	(6,143,104)
Net balances	**368,567**	**393,915**

Notes to the Annual Financial Statements

Figures in Rands	2022	2021

3. Receivables from exchange transactions (continued)

Refuse Residential		
Current (0-30 days)	340,520	332,778
31-60 days	160,458	161,823
61-90 days	156,514	179,713
91-120 days	153,292	175,703
121-365 days	6,644,638	5,474,351
	7,455,423	6,324,368
Less: Allowance for impairment	(7,244,466)	(6,104,784)
	210,956	**219,584**

Refuse commercial		
Current (0-30 days)	21,289	24,550
31-60 days	3,885	5,271
61-90 days	3,483	5,360
91-120 days	3,737	4,624
121-365 days	41,549	67,833
	73,943	107,638
Less: Allowance for impairment	(27,340)	(38,320)
	46,603	**69,318**

Refuse state owned		
Current (0-30 days)	37	591
31-60 days	19	300
61-90 days	19	336
91-120 days	19	337
121-365 days	4,073	8,937
	4,166	10,501
Less: Allowance for impairment	-	-
	4,166	**10,501**

Dumping refuse		
Current (0-30 days)	83,275	68,027
31-60 days	3,708	-
	86,983	**68,027**

Skip waste refuse		
Current (0-30 days)	18,441	17,855
31-60 days	1,417	4,786
61-90 days	-	1,362
91-120 days	-	1,348
121-365 days	-	1,134
	19,858	**26,485**

Rentals		
Current (0-30 days)	72,228	84,880
31-60 days	8,314	19,026
61-90 days	7,618	9,636
91-120 days	4,648	6,914
121-365 days	53,795	43,119
	146,603	**163,575**

Figures in Rands	2022	2021

4. Receivables from non-exchange transactions

Gross Debtors

Fines	1,029,239	1,162,469
Property Rates	5,505,273	7,290,354
	6,534,512	**8,452,823**

Impairment		
Fines impairment	(727,089)	(705,969)
Property rates impairment	(3,247,746)	(2,704,027)
	(3,974,835)	**(3,409,996)**

Net debtors		
Fines	302,150	456,500
Property rates	2,257,527	4,586,328
	2,559,677	**5,042,828**

Statutory receivables included in receivables from non-exchange transactions are as follows, on a gross basis:		
Fines	1,029,239	1,162,469
Property rates- Business and commercial	758,098	765,736
Property rates- Residential	2,512,452	2,222,645
Property rates- Municipal	552,831	438,253
Property rates- State owned properties	1,408,655	3,617,803
Property rates- Industrial	53,988	50,888
Property rates- Vacant land	219,249	195,029
	6,534,512	**8,452,823**

4. Receivables from non-exchange transactions (continued)

Traffic fines are issued to offenders in terms of Section 334 of Criminal Procedures Act 51, of 1997, road traffic fines is section 56 and parking fines is section 341, 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 tems of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Property rates are levied in terms of section 7 to section 15 of the Municipal Property Rates Act of No.6 of 2004. Property rates are levied as per the tariffs approved by municipal Council using the gazetted General Valuation Roll and levied on a monthly basis for consumers except for government properties that are levied annually. Interest on overdue accounts are not charged in terms of Property Rates Policy. The amount levied is determined by applying the Market Value by approved tariffs in different categories and less Rebates offered by the municipality. The basis used to assess and test whether a statutory receivable is impaired, the municipality considers (Residential) debtors owing more than 90 days with no payment, the whole debt will be provided for and debtors with few payments only debt over 90 days will be provided for. We do not provide for businesses that have made payments during the financial year and also for businesses that are owing more than90 days, only amounts more than90 days are provided for. Government properties we do not provide for and Lease agreements we do not provide for. Receivables are grouped and assessed for collective impairment as per Mscoa segments. The discount rate varies as per consumer categories and ranges from 25% to 40%. The determination arises on the debt analysis of the consumers due number of days outstanding on the age analysis.

The basis of impairment takes into account the following:
The estimates were determined in accordance with the debt impairment policy of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt.
In assessing whether statutory receivables are impaired, management considered both individually receivables that may be impaired as well as groups of similar receivables that may be impaired.
The total debtors were further separated into groups of similar receivables with similar risk profiles and assessed for impairment.

4. Receivables from non-exchange transactions (continued)

Statutory receivables that are past due and impaired included in receivables from non- exchange transactions are as follows:	2022	2021
Fines	(727,089)	(705,969)
Property rates- Business and commercial	(316,177)	(282,119)
Property rates- Residential	(2,299,735)	(1,900,771)
Property rates- Municipal	(402,615)	(320,655)
Property rates- Industrial	(14,950)	(6,351)
Property rates- Vacant land	(214,269)	(194,130)
	(3,974,835)	**(3,409,995)**

The basis for impairment takes into account the following:

The estimate was determined in accordance with the debt impairment policy of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt.

In assessing whether statutory receivables are impaired, management considered both individually receivables that may be impaired as well as groups of similar receivables that may be impaired
.
The total debtors were further separated into groups of similar receivables with similar risk profiles and assessed for impairment.

Statutory receivables included in receivables form non- exchange transactions above are as follows, net for impairment	2022	2021
Traffic fines	302,150	456,500
Property rates- Business and commercial	441,921	483,617
Property rates- Residential	212,717	321,873
Property rates- Municipal	150,216	117,598
Property rates- State owned properties	1,408,655	3,617,803
Property rates- Industrial	39,038	44,537
Property rates- Vacant land	4,980	900
	2,559,677	**5,042,828**

Statutory receivables that are past due but not impaired and included in receivables from non- exchange transactions:

As of 30 June 2022, statutory there were receivables were considered to be past due and not impaired. This was dertemined by taking into account the debt that is outstanding for a period of more than 30-120 days which have not been subjected to impairment, this is done in line with our impairment methodology:

	2022	2021
Traffic fines	302,150	134,676
Property rates	2,257,527	4,586,099
	2,559,677	**4,720,775**

Summary of aging of debtors

Traffic fines	2022	2021
Current (0-30 days)	30,900	26,250
31-60 days	14,550	35,200
61-90 days	17,900	43,200
91-120 days	33,800	40,300
121 days and over	932,089	1,017,519
	1,029,239	**1,162,469**

4. Receivables from non-exchange transactions (continued)

	2022	2021
Property Rates		
Current (0-30 days)	487,266	544,216
31-60 days	118,845	132,508
61-90 days	113,115	123,741
91-120 days	110,463	113,941
121 days and over	4,675,584	6,375,948
	5,505,273	**7,290,354**

5. VAT receivable

	2022	2021
VAT	6,714,565	5,955,853

Vat is imposed as per amended Value added Tax Act No.9 of 2021 Where any goods manufactured in the Republic, being of a class or kind subject to excise duty or environmental levy under Part 2 or 3 of Schedule 1 to the Customs and Excise Act, have been supplied at a price which does not include such excise duty or environmental levy and tax has become payable in respect of the supply in terms of subsection (1) *(a)*, value-added tax shall be levied and paid at the rate of 15 per cent for the benefit of the National Revenue.

Fund on an amount equal to the amount of such excise duty or environmental levy which, subject to any rebate of such excise duty or environmental levy under the said Act, is paid.

The amount is determined by subtracting Vat Payable from Vat Receivable.

6. Investment property

	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	31,802,115	(753,879)	31,048,236	31,802,115	(723,706)	31,078,409

Reconciliation of investment property - June 2022

	Opening balance	**Depreciation**	**Total**
Investment property	31,078,409	(30,173)	31,048,236

Reconciliation of investment property - June 2021

	Opening balance	**Depreciation**	**Total**
Investment property	31,108,417	(30,008)	31,078,409

6.1 Rental Income from Investment Property

	2022	2021
Direct income from rentals	1,440,720	1,324,989

Notes to the Annual Financial Statements

Figures in Rands	2022	2021

6. Investment property (continued)

6.2 Details of property

Property 1		
Erven 229, 735 and 736		
Duration : 50 years		
Termination date : 18 June 2046		
The Rhino centre has 10% of the net rental and 2% is payable to the municipality, which is calculated on the turnover.		
- Purchase price: 1 July 1996	5,300,000	5,300,000
Property 2		
Erven 231 and 232		
Duration : 50 years		
Termination date : 30 November 2061		
Rental income is R154 680 per annum. The rental shall escalate by an amount equivalent to the CPI index every year.		
- Purchase price: 1 December 2011	904,992	904,992
- Accumulated depreciation	(753,879)	(723,706)
	151,113	**181,286**
Municipal Vacant Land		
Erven 152		
- Purchase price: 1 December 1997	13,136,123	13,136,123
- Additions since purchase or valuation	2,461,000	2,461,000
	15,597,123	**15,597,123**
Property 4		
Erven 155		
Duration: 50 years		
Termination: 31 December 2062		
Rental income is R332 722 per annum. The rental shall escalate by an amount equivalent to CPI index every year, but this escalation shall never be less than 4% nor be greater than 8% per annum.		
- Purchase price: 1 January 2013	10,000,000	10,000,000
- Land shopping complex	5,300,000	5,300,000
- building- Hotel and housing	151,113	181,286
-Municipal vacant properties	15,597,123	15,597,123
- Land- Umzimkhulu mall	10,000,000	10,000,000
Total Investment property	**31,048,236**	**31,078,409**

There were no repairs and maintainance on the investement property in this financial year.

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.

7. Property, plant and equipment

	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	9,409,000	-	9,409,000	9,409,000	-	9,409,000
Buildings	51,295,659	(18,300,732)	32,994,927	51,295,659	(17,044,629)	34,251,030
Infrastructure Assets	541,064,464	(329,754,413)	211,310,051	507,661,923	(303,643,862)	204,018,061
Community Assets	304,747,102	(62,075,789)	242,671,313	274,907,770	(52,146,962)	222,760,808
Other Fixed Assets	70,715,268	(32,787,235)	37,928,033	68,565,003	(31,525,690)	37,039,313
Total	**977,231,493**	**(442,918,169)**	**534,313,324**	**911,839,355**	**(404,361,143)**	**507,478,212**

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2022

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	9,409,000	-	-	-	-	9,409,000
Buildings	34,251,030	-	-	(1,256,103)	-	32,994,927
Infrastructure Assets	204,018,061	33,402,537	-	(26,110,547)	-	211,310,051
Community Assets	222,760,808	30,947,482	(698,205)	(7,434,432)	(2,904,340)	242,671,313
Other fixed assets	37,039,313	9,354,890	(1,926,021)	(6,540,149)	-	37,928,033
	507,478,212	**73,704,909**	**(2,624,226)**	**(41,341,231)**	**(2,904,340)**	**534,313,324**

The opening balances on the above reconcilliation were restated
Reconcilliation of opening balances for 2022.

Impairment basis
There is an impairment loss of R2 904 340 recognised in property, plant and equipment and it relates to community assets. This was due to some community facilities were in a poor condition mostly due to vandalism. Also there is an asset in work in progress that was impaired as it has taken a significant time to complete. The recoverable service amount was based on deemed replacement cost method and this was motivated by the nature of assets that were tested for impairment. An expert was used in valuing an asset that is in work in progress that was impaired.

Reconcilliation of opening balances

	Opening balance as previously reported	Adjustment correction of prior period error	Re-stated opening balance
Land	9,409,000	-	9,409,000
Buildings	34,274,942	(23,912)	34,251,030
Infrastructure assets	204,018,061	-	204,018,061
Community Assets	222,760,808	-	222,760,808
Other fixed assets	37,039,313	-	37,039,313
	507,502,124	**(23,912)**	**507,478,212**

Notes to the Annual Financial Statements

Figures in Rands

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2021

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	9,409,000	-	-	-	-	9,409,000
Buildings	33,896,316	1,539,340	-	(1,184,626)	-	34,251,030
Infrastructure Assets	195,418,127	32,594,715	-	(24,071,759)	76,978	204,018,061
Community Assets	187,955,075	56,058,637	-	(6,463,030)	(14,789,874)	222,760,808
Other fixed assets	29,106,694	13,924,104	(72,245)	(5,919,240)	-	37,039,313
	455,785,212	**104,116,796**	**(72,245)**	**(37,638,655)**	**(14,712,896)**	**507,478,212**

Pledged as security

There are no assets pleadged as security.

Impairment basis
There is an impairment loss of R14 789 874 recognised in property, plant and equipment and it relates to community assets. This was due to some community facilities were in a poor condition mostly due to vandalism. Also there is an asset in work in progress that was impaired as it has taken a significant time to complete. There is also an impairment reversal of R76 978 on infrastructure assets and this was based on improvements on assets that were previously impaired; these assets were mostly stormwater drains that were damaged in the previous financial years. The recoverable service amount was based on deemed replacement cost method and this was motivated by the nature of assets that were tested for impairment. An expert was used in valuing these assets.

Depreciation rates

Item	Depreciation method

Figures in Rands	2022	2021

7. Property, plant and equipment (continued)

Buildings	Straight line
Plant and machinery	Straight line
Furniture and fixtures	Straight line
Motor vehicles	Straight line
Office equipment	Straight line
IT equipment	Straight line
Computer software	Straight line
Infrastructure	Straight line
Community	Straight line
Other fixed assets	Straight line

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	24,015,902	52,236,934	1,558,680	77,811,516
Prior period errror corrections	-	-	(238,680)	(238,680)
Additions/capital expenditure	33,402,538	30,947,491	-	64,350,029
Capitalised during the year	(25,841,349)	(6,969,109)	-	(32,810,458)
Impairment	-	(625,565)	-	(625,565)
	31,577,091	**75,589,751**	**1,320,000**	**108,486,842**

Other information

	2022	2021
Included in property, plant and equipment are property that have been identified as taking significantly longer period of time to complete than expected, due to the following:		
WIP- Memorial hall	45,008,509	32,719,016

WIP Memorial Hall: The reasons for delays in WIP Memorial Hall: The construction of the Memorial hall was delayed by the covid 19 cases and unrest , and is expected to be completed in 30 September 2022.

Figures in Rands	2022	2021

7. Property, plant and equipment (continued)

Repairs and Maintainance

Repairs and maintenance incurred to maintain property, plant and equipment is represented as follows:	2022	2021
Buildings	249,820	314,385
Infrastructure	6,693,844	7,066,624
Community assets	-	374,877
Repairs on other PPE	3,578,430	3,244,468
	10,522,094	**11,000,354**

There are no items of PPE that are pleadged as security
Contracted committments for PPE are shown in note36
Carrying amounts for PPE items approximate fair values

The total for this note showing Repairs and Miantenance will not be the same as the amount in the face of the statement of performance since there, the expenditure is classified according to their nature, but since we have our own plan machinery this note allows us to actually show other expenses incured in repairing and maintaining our assets.

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8. Intangible assets

	2022			2021		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	2,201,024	(1,710,838)	490,186	2,453,971	(1,587,907)	866,064

Reconciliation of intangible assets - June 2022

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	866,064	223,491	(9)	(599,360)	490,186

Reconciliation of intangible assets - June 2021

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	730,645	775,103	(3)	(639,681)	866,064

Reconcilliation of opening balances	**Opening balances as previously reported**	**Ajustment correction of prior period errors**	**Total**
Computer software	794,603	71,460	866,063

9. Heritage assets

	2022	2021

Notes to the Annual Financial Statements

Figures in Rands	2022	2021

9. Heritage assets (continued)

	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	432,000	-	432,000	432,000	-	432,000

Reconciliation of heritage assets- June 2022

	Opening balance	Total
Heritage assets	432,000	432,000

Reconciliation of heritage assets- June 2021

	Opening balance	Total
Heritage assets	432,000	432,000

Included in heritage assets are assets that have been identified as taking significantly longer period of time to complete than expected, due to the following:		
Heritage assets under construction/ major rennovations	255,000	255,000

The reasons for delays in WIP Memorial Hall: The construction of the Memorial hall was put on hold due to investigations on allegations however the investigation has been concluded, since then the project has resumed, and is expected to be completed in 30 September 2022

There was no repairs and maintenance expenditure incurred on Heritage assets that took place in the current financial year.

10. Payables from exchange transactions

	2022	2021
Payments received in advance	829,760	884,647
Accrued leave pay	5,267,639	5,744,826
Creditors accruals	6,322,120	2,176,478
Deposits received	333,051	329,089
Retention	9,088,537	8,065,591
Creditors	2,742	-
	21,843,849	**17,200,631**

11. Unspent conditional grants movements

Unspent conditional grants and receipts comprises of:

	2022	2021
Unspent conditional grants and receipts		
Sports Grant	1	3,648,001
Municipal employment initiative	132,144	-
Development planning title deeds	1,465,270	1,465,270
	1,597,415	**5,113,271**

12. Unspent Agent funds

	2022	2021
Electrification Fund	10,091,477	-

Notes to the Annual Financial Statements

Figures in Rands	2022	2021

12. Unspent Agent funds (continued)

Electrification Fund

Opening balance	-	12,016,561
Current-year receipts	14,576,000	6,000,000
Conditions met	(4,484,523)	(18,016,561)
	10,091,477	**-**

Electrification grant funds received: The municipality is operating as an agent on behalf of Eskom.

13. Employee benefit obligations

Long service awards

Opening Accrued liability	5,630,250	3,490,592
Past service cost	612,841	433,927
Interest cost	473,618	322,135
Actuarial (gains) losses	(58,580)	1,805,864
Expected return on plan assets	(966,525)	(422,268)
	5,691,604	**5,630,250**

Employees who achieve 5 years of service are granted 5 days paid leave, whilst employees who achieve 10 years of service are granted 10 days paid leave. Employees who achieve 15 years of service are granted 20 days paid leave. Employees who achieve 20 years of service are granted 30 days paid leave. Employees who achieve 20/25/30/35/40 and 45 years of service are granted 30 days paid leave. The abovementioned leave is only applicable to those employees who achieve the stated years of services after the effective date of these conditions. The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2021. It has been assumed that the staff turnover will be insignificant based on historical data. A discount rate of 11.20% (2021 : 8.97%) was used on internal rate of return.

in dertemining the provision for Long service awards the municipality utilized the services of indipendant actuarials.

Split between short term and long term portion of obligation

Employee benefit obligation – short term	722,528	700,457
Employee benefit obligation – long term	4,969,076	4,929,793
Total accrued liability	**5,691,604**	**5,630,250**

Key assumptions used

The financial and demographic assumptions used in the valuation are as follows:

Discount rates used	11.20 %	8.90 %
Expected rate of return on reimbursement rights	7.28 %	5.68 %
Expected increase in salaries	8.28 %	6.68 %
Proportion of employees opting for early retirement	2.70 %	2.15 %

The mortality rate of an individual is assumed to be 85-90.

The normal retirement age is assumed to be 65 years.

Notes to the Annual Financial Statements

Figures in Rands	2022	2021

14. Provisions

Reconciliation of provisions - June 2022

	Opening Balance	Additions	Total
Landfill site provision	4,570,086	1,178,669	5,748,756

Reconciliation of provisions - June 2021

	Opening Balance	Additions	Total
Landfill site provision	4,488,216	81,870	4,570,086

	2022	2021
Non-current liabilities	-	4,570,086
Current liabilities	5,748,756	-
	5,748,756	**4,570,086**

Landfill site

The environment compliance audit on the landfill site was conducted by Enviropro Environmental Consulting.

Enviropro has undertook an assessment and produced an audit report, which indicated that the lifespan of the landfill site is two (2) months and one (1) week, recommendation were provided to prolong the lifespan of the landfill site operations. The recommendations were provided as an interim measures while the municipality is preparing for decommissioning and waiting for approval of operation licence on the new landfill site.

15. Housing operating account

Human Settlement Housing Development Fund

	2022	2021
Opening balance	21,650,399	24,840,304
Transfer in/out	(1,143,896)	(3,657,397)
Current year interest	487,686	467,492
	20,994,189	**21,650,399**

Figures in Rands	2022	2021

16. Accumulated surplus

Reconciliation of accumulated surplus- June 2022

	Opening balance	Surplus for the year	Adjustment during the year	Total
Opening balance	740,599,789	27,003,395	1,143,900	768,747,084

Reconciliation of accumulated surplus- June 2021

	Opening balance	Adjustments during the year	Surplus for the year	Total
Opening balance	642,542,102	3,657,397	94,400,290	740,599,789

17. Interest received - investment

	2022	2021
Interest revenue		
Bank	157,032	131,827
Short term investments	9,215,659	8,582,777
	9,372,691	**8,714,604**

18. Investment Property Rentals

	2022	2021
Premises		
Facilities and Buildings	635,583	482,045
Rentals on Municipal Land	805,137	842,943
	1,440,720	**1,324,988**

19. Agency services

	2022	2021
Learners and licenses	728,369	812,027
Vehicle Registration	673,425	723,259
	1,401,794	**1,535,286**

20. Fines, Penalties and Forfeits

	2022	2021
Traffic fines	326,450	490,550
Pound fees	300,765	249,250
Overdue books fine	829	8,605
	628,044	**748,405**

21. Interest received (trading)

	2022	2021
Interest received- Refuse	333,750	402,398
Interest received- Rentals	6,474	6,776
	340,224	**409,174**

22. Service charges

	2022	2021
Solid waste	155,541	138,826
Waste disposal	875,819	846,629
Refuse removal	1,952,971	1,905,399
	2,984,331	**2,890,854**

Notes to the Annual Financial Statements

Figures in Rands	2022	2021

23. Other revenue

Tender income	26,435	218,523
Clearance certificates	4,553	2,300
Refund income	1,739	-
Cemetry fees	11,897	12,021
Hall fees	46,750	17,781
Copyright/ royalty	62,967	52,040
Seta fund	210,916	135,127
Isurance refund	41,812	622,216
PDA applications for land usage	20,513	44,717
Advertising income	43,442	42,292
Building plans and servitudes	66,080	55,501
Staff recoveries	-	1,500
PDA application for MAP	265	252
Over banking	425	124
	537,794	**1,204,394**

Notes to the Annual Financial Statements

Figures in Rands	2022	2021

24. Property rates

Rates raised

Residential	1,812,906	1,842,659
Commercial	4,125,150	4,094,125
State	5,496,962	5,652,265
Municipal	396,203	367,142
Industrial	3,100	3,100
Vacant	87,736	86,859
Less: rebates	(2,518,798)	(2,562,288)
	9,403,259	**9,483,862**

Valuations

Residential	328,450,000	327,835,000
Commercial	277,438,000	263,814,000
State	-	17,271,000
Municipal	153,343,000	153,527,000
Small holdings and agriculture	-	120,810,000
Industrial	3,179,000	3,179,000
Place of worship	12,854,000	12,854,000
Agriculture	827,983,000	706,220,000
Public service infrastructure	12,449,000	12,449,000
Communal property	2,066,000	2,066,000
Vacant land	24,706,000	20,987,000
Public service purposes	634,136,000	617,715,000
	2,276,604,000	**2,258,727,000**

Description	Number of properties	Tariffs
Agriculture	662	0.0022
Commercial	63	0.0135
Communal properties	4	0.0021
Industrial	2	0.0022
Municipal	756	0,0088
Public service infrastructure	78	0.0021
Residential	2,575	0.0088
Public service purpose	186	0.0088
Vacant land	636	0.017, 0.022
Place of worship	13	0.0088
	4,975	

As per the amended MPRA valuations on land and buildings are performed every 5 years. The new general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Different rate randage are charged for the various categories of ratepayers. No additional rebates were granted to any categories of ratepayers except for any exemptions and compulsory phasing-in of certain rates as contained in Council's approved Rates Policy.

Old age pensioners were granted 100% subsidy as categorised as indigents and pensioners over 65 years were granted 25% rebate as per Council’s approved Rates policy.State properties were granted a 10% rebate and Public Service infrastructures were granted 30% rebate as per Council’s approved policy. Rates are levied monthly in 12 equal instalments payable on a monthly basis. Interest is charged at 15.5% on the outstanding balance of service charges, 60% rebate granted for commercial properties as per Council approval.

Notes to the Annual Financial Statements

Figures in Rands	2022	2021

25. Government grants and subsidies

Operating grants		
Equitable share	210,352,000	241,483,000
FMG Grant	1,850,000	1,900,000
Arts and Culture- Library	1,910,000	1,816,000
Expanded Public Works Program	3,377,000	3,009,001
Disaster relief (Covid 19 Grant)	-	442,827
Municipal Employment Initiative	867,856	-
	218,356,856	**248,650,828**

Capital grants		
MIG Grant	45,728,000	65,074,371
Sports Grant	10,944,000	13,544,011
	56,672,000	**78,618,382**
	275,028,856	**327,269,210**

Equitable Share

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

There was an amount of R39 408 000 that the municipality received as addition to equitable share that is for Covid 19. This amounts is not a grant, but it is an addition to Equitable share.

The Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) on 30 March 2020 to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster. To respond to the COVID-19 pandemic, municipalities may be required to expand their scope of basic services and free basic services to respond directly to the socio-economic impacts of the pandemic and prevent the transmission of communicable diseases.

The table bellow shows the unspent on this:

Covid-19 Equitable share		
opening balance	36,434,982	-
Current- year receipts	-	39,408,000
Utilized portion	(3,860,040)	(2,973,018)
	32,574,942	**36,434,982**

The purpose of the additional Equitable share is for Covid 19 related projects.

Reasons (s) for unspent grant
The municipality has number of projects which are funded through the additional equitable share amount (Covid 19). The Tender for the development of new municipal offices has been re-advertised for three times because the service providers that were non-responsive.

Development planning title deeds

Balance unspent at beginning of year	1,465,270	965,270
Current-year receipts	-	500,000
	1,465,270	**1,465,270**

25. Government grants and subsidies (continued)

Withheld/delayed grant : None.
Conditions still to be met - remain liabilities (see note 11).

Reason(s) for unspent grant : The municipality initiated a Public Notice to call forward all the missing beneficiaries in June 2019 and has a number of beneficiaries who have not presented themselves to the municipality as means of confirming their existence. The municipality has further formed a Dispute Resolution Committee which has so far sat once on the Month of March 2020.

The introduction of National Lockdown has impacted negatively on swift movement of the project. Numerous activities especially the ones requiring public participation have been hindered from materialising. Additional to this, the municipality has had challenges with approval of the preceding roll over application (for 2020/21/22 financial year). Funds could not therefore be utilise until such a time as the application has been approved. Countless meetings have been held, with the objective to deliberate on the matter and eventually resolve the impacting issues. Only in May 2022, a fruitful stakeholder meeting was held, where most issues were resolved, and expenditure of funds was consented.

Notes to the Annual Financial Statements

Figures in Rands	2022	2021

25. Government grants and subsidies (continued)

Finance Management Grant

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

The purpose of this grant is to promote sound financial management

Withheld/delayed grant : None.

Reason(s) for conditions not met : None.

Reason(s) for unspent grant : None.

Municipal employment initiative

Current-year receipts	1,000,000	-
Conditions met - transferred to revenue	(867,856)	-
	132,144	-

The purpose of this grant is Provision of suitable mobile or fixed trading and storage infrastructure including electricity, water and sanitation.

.

Withheld/delayed grant : None.

Conditions still to be met - remain liabilities (see note 11).

Reason(s) for unspent grant : None.

Arts and Culture Grant

Current-year receipts	1,910,000	1,816,000
Conditions met - transferred to revenue	(1,910,000)	(1,816,000)
	-	-

The purpose of this grant is to fund the salaries for the Librarians.

Withheld/delayed grant : None.

Reason(s) for conditions not met : None.

Reason(s) for unspent grant : None.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	24,092,371
Current-year receipts	45,728,000	42,568,191
Conditions met - transferred to revenue	(45,728,000)	(65,074,371)
Prior year unspent paid back to Treasury	-	(1,586,191)
	-	-

Figures in Rands	2022	2021

25. Government grants and subsidies (continued)

The purpose for this grant is for infrastructure development.

Withheld/delayed grant : None.

Reason(s) for conditions not met : None

Reason(s) for unspent grant : None

Sports Grant

Balance unspent at beginning of year	3,648,001	13,544,012
Current-year receipts	7,296,000	3,648,001
Conditions met - transferred to revenue	(10,944,000)	(13,544,012)
	1	**3,648,001**

The purpose of the grant is for the construction of Harry Gwala Multi-Purpose Sport Centre

Reason(s) for conditions not met : None.

Reason(s) for unspent grant : None.

Expanded Public Works Programme

Current-year receipts	3,377,000	3,009,000
Conditions met - transferred to revenue	(3,377,000)	(3,009,000)
	-	**-**

The purpose of this grant is to reduce poverty and unemployment.

Disaster relief (Covid 19)

Balance unspent at beginning of year	-	442,827
Conditions met - transferred to revenue	-	(442,827)
	-	**-**

The municipality utilized the full portion of the funds received in the previous year..

Reason(s) for conditions not met : None.

Notes to the Annual Financial Statements

Figures in Rands	2022	2021

26. Revenue

Fines, penalties and forfeits	628,044	748,405
Service charges	2,984,331	2,890,854
Rental of facilities and equipment	1,440,720	1,324,988
Interest received (trading)	340,224	409,174
Agency services	1,401,794	1,535,286
Licences and permits	17,502	70,873
Other revenue	537,794	1,204,394
Interest received - investment	9,372,691	8,714,604
Property rates	9,403,259	9,483,862
Government grants & subsidies	275,028,856	327,269,210
Public contributions and donations	225,000	-
	301,380,215	**353,651,650**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	2,984,331	2,890,854
Rental of facilities and equipment	1,440,720	1,324,988
Interest received (trading)	340,224	409,174
Agency services	1,401,794	1,535,286
Licences and permits	17,502	70,873
Other Revenue	537,794	1,204,394
Interest received - investment	9,372,691	8,714,604
	16,095,056	**16,150,173**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	9,403,259	9,483,862
Transfer revenue		
Government grants & subsidies	275,028,856	327,269,210
Public contributions and donations	225,000	-
Fines, penalties and forfeits	628,044	748,405
	285,285,159	**337,501,477**

Notes to the Annual Financial Statements

Figures in Rands	2022	2021

27. Employee related costs

Basic	74,638,020	66,591,901
Bonus	4,752,400	5,665,860
Medical aid - company contributions	5,908,455	5,707,737
UIF	602,050	478,921
Leave encashment	2,150,935	3,699,430
Shift and danger allowance	1,257,580	1,474,123
Bargaining council	26,902	24,899
Pension fund- municipal contributions	9,952,749	9,801,089
Travel, motor car, accommodation, subsistence and other allowances	7,657,377	7,589,806
Overtime payments	3,908,206	3,547,377
Acting allowances	29,959	214,113
Housing benefits and allowances	1,762,973	1,694,827
Actuarial gain/loss	(58,580)	1,805,864
Cellphone expenses	878,206	821,760
Standby Allowance	423,945	500,445
Service Related Benefits (Uniform)	105,000	-
	113,996,177	**109,618,152**

Remuneration of Municipal Manager

Annual remuneration	681,354	817,625
Bonus contract	136,271	149,898
Travel allowance	283,898	340,677
Contribution to UIF, medical aid and pension fund	170,335	204,406
Cellphone allowance	22,500	27,000
Subsistance allowance	1,956	-
Leave encashment	119,743	51,618
	1,416,057	**1,591,224**

Remuneration of Chief Finance Officer

Annual remuneration	716,214	716,214
Bonus contract	119,369	131,306
Travel allowance	298,422	298,422
Contribution to UIF, medical aid and pension fund	89,407	89,527
Cellphone allowance	27,000	27,000
Subsistance allowance	9,502	-
Housing allowance	89,407	89,527
Leave encashment	45,216	45,216
	1,394,537	**1,397,212**

Remuneration of Infrastructure and Engineering Manager

Annual remuneration	650,938	650,928
Bonus contract	108,489	119,338
Travel allowance	271,224	271,224
Contribution to UIF, medical aid and pension fund	108,490	108,490
Cellphone allowance	27,000	27,000
Subsistance allowance	5,814	1,751
Housing allowance	54,245	54,240
Leave encashment	41,094	41,094
	1,267,294	**1,274,065**

Remuneration of Corporate Services Manager

Annual remuneration	625,869	-
Travel allowance	265,779	-
Contribution to UIF, medical aid and pension fund	159,467	-

Notes to the Annual Financial Statements

Figures in Rands	2022	2021

27. Employee related costs (continued)

Cellphone allowance	27,000	-
Subsistance allowance	1,226	-
Acting allowance	29,959	-
	1,109,300	**-**

Remuneration of Community and Social Services Manager

Annual remuneration	426,676	319,262
Bonus contract	-	115,962
Backpay	6,458	-
Travel allowance	177,782	133,026
Contribution to UIF, medical aid and pension fund	106,669	79,816
Cellphone allowance	20,250	13,500
Subsistance allowance	3,494	-
Leave encashment	53,215	175,362
	794,544	**836,928**

Remuneration of Strategic Planning and Development Manager Heading

Annual remuneration	-	522,134
Bonus contract	-	127,633
Travel allowance	-	217,555
Contribution to UIF, medical aid and pension fund	-	130,533
Cellphone allowance	-	20,250
Subsistance allowance	-	1,730
Leave encashment	-	137,653
	-	**1,157,488**

28. Remuneration of Councillors

Mayor	906,035	860,859
Deputy Mayor	674,789	688,688
Executive members	2,525,937	2,837,417
Speaker	707,727	688,688
Chief Whip	494,561	645,646
Councillors' basic allowance	8,273,559	5,311,704
Councillors' travel allowance	2,191,770	1,967,396
Councillors' pension fund contribution	573,422	1,245,576
Councillors' medical aid contribution	51,197	123,842
Councillors' cellphone allowances	1,043,800	1,693,200
Housing allowance	72,972	204,322
	17,515,769	**16,267,338**

Ward committee expenses

In-kind-benefits:

The Mayor has a fixed contract secretary and a driver.

The Deputy Mayor has a full time secretary (sharing the same secretary with the Mayor).

The Speaker's office has a full time secretary.

Number of employees:

The number of Councillors is 41 and 265 employees as at 30 June 2022 (June 2021 : 245).

Notes to the Annual Financial Statements

Figures in Rands	2022	2021

29. Bad debts written-off

Rates	220,302	407,277
Refuse	464,871	525,969
Rental	9,849	24,875
	695,022	**958,121**

30. Depreciation and amortisation

Property, plant and equipment	41,341,237	37,654,613
Investment property	30,173	30,008
Intangible assets	599,360	603,949
	41,970,770	**38,288,570**

31. Finance costs

Landfill site provision	1,178,669	81,870
Actuarial interest	1,086,459	756,062
	2,265,128	**837,932**

32. General expenses

External Audit fees	1,833,878	1,930,409
Advertising	2,599,105	2,071,568
Bank charges	132,551	107,542
Electricity	10,050,057	8,751,853
Fines and penalties	246,769	-
Equipment hire	399,970	132,875
Insurance	2,563,921	1,952,486
IT expenses	7,577,520	5,999,806
Skills development fund	1,056,998	864,664
Artists and performers	911,400	22,000
Motor vehicle expenses	468,205	477,606
Materials and supplies	1,572,757	1,906,397
Fuel and oil	4,810,586	3,515,785
Postage and courier	14,243	18,656
Printing and stationery	1,209,490	1,293,940
Subscriptions and membership fees	1,348,418	1,368,422
Telephone and fax	2,840,121	3,089,742
Transport	490,634	207,995
Subsistance and travelling	3,209,988	1,674,090
Assets expensed	280,804	110,965
Water	264,397	115,475
Uniform and protective clothing	1,462,259	1,103,263
Workman's compensation	442,768	451,378
Ward committee stipend	1,798,780	2,689,780
Office Decorations	46,035	29,800
Servitudes and land survey	1,440,609	207,357
Achievements and Awards	564,995	-
Workshops and Events	934,682	347,730
Travel Agency and Visa	306,440	30,483
Learnerships and Internships	222,000	314,000
Archives	88,513	32,752
	51,188,893	**40,818,819**

Notes to the Annual Financial Statements

Figures in Rands	2022	2021

33. Contracted services

Consultants fees	3,125,973	4,457,578
Security services	9,067,912	7,677,306
Catering services	4,036,486	3,810,906
Repairs and maintenance	10,522,093	11,000,354
Audio and visuals	735,380	446,600
Litter picking and street cleaning	579,436	878,127
Accounting and auditing	625,855	737,427
Legal advice and litigation	873,110	1,185,458
Subject Matter Training	846,783	952,370
Administrative and support staff	135,800	26,000
Animal care	33,370	77,511
Burial services	213,755	19,270
Occupational Health and Safety	29,348	459,498
Business and advisory	351,243	296,368
Qualification verification	52,769	42,245
Research and advisory	4,026,866	365,000
Personnel and labour (Casuals)	1,214,400	1,239,290
Commissions and Committees	48,061	16,515
Cleaning services	1,335,385	1,155,278
	37,854,025	**34,843,101**

34. Operating surplus

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

Operating lease charges
Equipment

• Contractual amounts	476,092	476,092

Impairment on property, plant and equipment	(2,963,157)	(14,712,896)
impairment on receivable assets	2,128,922	1,744,593
Loss on sale of non-current assets held for sale and net assets of disposal groups	(3,130)	(500)
Amortisation on intangible assets	599,360	603,949
Depreciation on property, plant and equipment	41,341,237	37,654,613
Depreciation on investment property	30,173	30,008
Employee costs	131,511,946	125,885,490

Figures in Rands	2022	2021

35. Cash generated from operations

Surplus	27,003,395	94,400,289
Adjustments for:		
Depreciation and amortisation	41,970,770	38,288,570
Loss on Disposal of assets	5,092,079	16,457,489
Loss on discontinued operations	-	(500)
Gain on disposal of assets	(3,130)	-
Finance costs	2,265,128	715,981
Loss on disposal	2,569,995	-
Bad debts written-off	695,022	958,121
Prepayments	(577,913)	-
Interest on trading	(340,224)	-
Interest income	(3,478,124)	-
Other items	177,912	(376,725)
Donations	(225,000)	-
Changes in working capital:		
Receivables from exchange transactions	(1,096,016)	964,969
Receivables from non-exchange transactions	-	(2,189,993)
Payables from exchange transactions	4,097,460	(647,351)
Unspent conditional grants movements	(3,515,856)	(33,931,209)
Unspent Agent funds	10,091,477	(12,016,561)
Housing development and electrification fund proceeds paid	-	(3,657,397)
Movement in leave provision	(535,767)	255,493
	84,191,208	**99,221,176**

36. Contingent liabilities

Legal claims

Various claims submitted to the municipality are in the process of being resolved.
Should the respective claimants be successful with their claims, the estimated Municipal liability on such claims, is disclosed below’.

Legal disputes relate to:

Invasion of municipal land and illegal structures	120,000	181,000
Municipal investigations and employees dispute	150,000	150,000
Contractual dispute	120,000	120,000
Review of building plan disapproved	65,000	130,208
PIE application	80,000	80,000
Action of damages	91,500	91,500
	626,500	**752,708**

Notes to the Annual Financial Statements

Figures in Rands	2022	2021

37. Commitments

37.1 Authorised capital expenditure

Already contracted for but not provided for		
• Buildings	207,000	207,000
• Community assets	29,363,914	48,875,509
• Infrastructure assets	26,710,666	26,590,236
	56,281,580	**75,672,745**
Total capital commitments		
Already contracted for but not provided for	56,281,580	75,672,745

Buildings:The Memorial hall has been re-classified into community assets, and there are not commitments.

Community: The decrease on the commitments, is due to the progress on the memorial hall and Harry Gwala Sports center, and completion of many projects.

The amounts of commitments include VAT

37.2 Operating leases - as lessee (expense)

At the reporting date the Municipality has outstanding commitments under operating leases which fall due as follows:

8 Photocopy Machines (Nashua): The municipality then entered into new lease agreement of 8 machines that started on 1st of June 2016, and the monthly rental is payable at the end of each month over the period of 36 months.

37.3 Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	1,931,068	1,636,570
- in second to fifth year inclusive	3,700,938	2,666,831
- later than five years	17,466,696	17,962,765
	23,098,702	**22,266,166**

The municipality leased vacant land to a property developers whom has developed uMzimkhulu Mall, Rhino Centre and Umzimkhulu Hotel, and Feza family trust. The lease agreement has a term of 50 years. The rental shall escalate by an amount equivalent to the the CPI index, rounded of to the nearest rand, which the escalation will be effective on the commencement date every year. The Rhino centre has 10% of the nett rental plus 2%payable to the municipality, which is calculated on the turnover of each site. Rentals will be recognised when the lessee is invoiced and will not be smooth over the period of the lease.

Umzimkhulu Mall and Hotel commitments have been calculated and will not perform the smoothing on a straight-line over the period of the lease.

Notes to the Annual Financial Statements

Figures in Rands	2022	2021

38. Risk management

38.1 Financial risk management

The Municipality has exposure to the following risks from its use of financial instruments:

Liquidity Risk
Interest Rate Risk
Credit Risk

This note presents information about the Municipality's exposure to each of the above risks and its objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout these financial statements.

The Council and the Municipal Manager have overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Municipality's activities.

The Municipality through its training and management standards and procedures, aims to develop a disciplined and constructive environment in which all employees understand their roles and obligations

The Municipal Manager is of the opinion that the values reflected in the financial statements are a true reflection of fair values of both the financial assets and liabilities.

The fair value of consumer debtors is estimated to be the actual receipts expected adjusted for possibility of doubtful debt. Payables are settled within 30 days of receipt of invoice and therefore are reflected at the settlement amount.

	2022	2021
Financial Assets		
Petty cash	159	4,553
Bank balance	6,179,237	5,274,933
Short-term deposits	176,546,366	205,234,048
Receivables from exchange transactions	2,573,354	3,018,380
Receivables from non-exchange transactions	2,559,677	5,042,827
	187,858,793	**218,574,741**
Financial Liabilities		
Payables from exchange transactions	21,843,850	17,200,631
Unspent conditional grants	1,597,415	5,113,271
Unspent agent funds	10,091,477	-
	33,532,742	**22,313,902**

38.2 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.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	2022	2021
Payables from exchange transactions	21,843,850	17,200,631

Figures in Rands	2022	2021

38. Risk management (continued)

38.3 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. The Municipality’s level of borrowing and consequently the debt servicing costs are closely monitored and controlled by the EXCO having regard to the prevailing and projected interest rates and the Municipality’s capacity to service such debt from future earnings.

Balances exposed to the interest rate risk:		
Bank balance	6,179,237	5,274,933
Short- term deposits	176,546,366	205,234,048
	182,725,603	**210,508,981**

38.4 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will default on its obligation to the Municipality, thereby causing financial loss to the Municipality. It is the Municipality’s policy that all customers who wish to trade on credit terms are subject to payment of a deposit. In addition, receivable balances are monitored on an ongoing basis with the result that the Municipality’s exposure to bad debts is not significant. A provision is made for doubtful debts. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2022**	**2021**
Receivables from exchange transactions	2,573,354	3,018,380
Receivables from non-exchange transactions	2,559,677	5,042,827
	5,133,031	8,061,207

Past due but not impaired		
Receivables from exchange past due not impaired	368,567	343,538
Receivables from non exchange past due not impaired (government debt included)	2,559,677	4,242,561
	2,928,244	**4,586,099**

39. Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure	246,769	-

Interest on late payment on SARS invoice of R229 349
Intereste on late renewal of licences for municipal vehicles of R17 420.

40. Irregular Expenditure

Opening balance as previously reported	4,780,952	13,547,387
Add: irregular expenditure- current year	14,455,960	21,385,537
Add: irregular expenditure- prior period	11,402,325	-
Less: amount written off- current	(10,925,871)	(30,151,972)
Less: amount written off- prior period	(16,183,277)	-
Closing balance	**3,530,089**	**4,780,952**

40. Irregular Expenditure (continued)

Irregular expenditure of R3 404 014:

The municipality appointed a service provider for community hall construction, but after the bid evaluaton and bid adjudication process the annexure c page got misplaced and the municipality could not prove to the auditors that the said page was there during the evaluation and adjudication process, and the project was declared as irregular.

Irregular expenditure of R126 075:

The municiaplity appointed a service provider for supply and delivery of IDP Outreach Groceries. The municipality did not issue the notice to award but issued notice of appointment due to the date of the IDP outreach that needed to be held immediately and the municipality had to deviate from the 14 days appeal period. Therefore upon the assessment it was then declared as irregular

41. Unauthorised Expenditure

There was no unauthorised expenditure in the current financial year, and there was nothing in the prior year as well.

42. Additional disclosures in terms of the Municipal Finance Management Act

Contributions to organised local government

	2022	2021
Current year subscription / fee	1,313,470	1,338,990
Amount paid - current year	(1,313,470)	(1,338,990)
	-	-

Audit fees

	2022	2021
Current year subscription / fee	1,833,878	1,930,409
Amount paid - current year	(1,833,878)	(1,930,409)
	-	-

PAYE and UIF

	2022	2021
Current year subscription / fee	17,853,913	18,636,986
Amount paid - current year	(17,853,913)	(18,636,986)
	-	-

VAT

	2022	2021
VAT receivable	6,714,565	5,955,853

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

Figures in Rands	2022	2021

43. Related parties

Related party balances

Councillors- in arrears more than 90 days

No councillors were in arrears at the end of the current financial year

Section 57 employees		
Remuneration paid	5,981,732	6,256,917

The detailed section 57 employees cost break down is on note 25]

Councillors		
Remuneration paid	17,515,769	16,267,338

Remuneration of councillors disclosed in note26

Employee lease rentals		
N. Tyekela	-	13,069
K. Dweba	18,105	17,425
T. Sondzaba	9,351	9,000
S. Maphumulo	2,400	2,400
S. Sosibo	2,400	2,400
TM Sikhosana	2,400	2,400
I Jokweni	2,400	600

44. Deviation from supply chain management regulations

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

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

There were deviations amounting to R1 376 684.88 in the current financial year.

the breakdown of these deviations is as follows:
- Provision of Generator (emegency) of R2 500
- Accommodation (Impratical to follow SCM process) of R260 727.30
- Supply and delivery of UPS and backup generator(Emergancy) of R1 092 817.64
- Internal audit and risk training (Impractical to follow SCM processes) R19 200
- Arc GIC software maintenance renewal (Sole provider of this service) of R1 439.94

45. Events after the reporting date

There were no events after reporting date.

Notes to the Annual Financial Statements

Figures in Rands	2022	2021

46. Prior period errors

The payments from department of transport for the month of May and June 2021 were only received in July, and were not accounted for in the 2021 financial statements, this resulted in Receivables from exchange transactions bein understated by R52 648 and Agency services understated by the same amount.

when the provision was processed during 2019-2020 financial year, the payments were not considered to decrease the fines issued to be provided for, therefore the provision for fines was overstated by R295 573 and the impairment was also overstated by the same amount.

The appointed service provider was suspected to have been colluded with other service provider in the quotation process, and they were called to a meeting and they kept running away, and this service provider was already recorded as the creditor. Therefore our creditors were overstated by an amount of R7830 and the Hire facilities overstated by the same amount.
There was a building that was in Work in Progress when we look at other information in the current financial year it was discovered that the building was completed in 2018 financial year. Cost was not affected as cost of Work in Progress for buildings shows under Buildings. Only depreciation was affected. The accumuliated depreciation was understated by R23 912 depreciation was understated by R7 956.

There is a software that is used by the municipality that had it remaining useful life not assessed in the prior year and not performing this assessment was an error. the accumulated amortisation of this assets was overstated by R71 491 and depreciation being overstated by the same amount.

Community assets cost were understated by an amount of R8 641 115 and the accumulated depreciation /impairment was also understated with the same amount due to incorrect mapping, even though the book value was not affected.

Infrastructure assets cost were understated by an amount of R306 096, and the accumulated depreciation /impairment was also understated with the same amount due to incorrect mapping, even though the book value was not affected.
The bank was understated by R29 889.49 and the rentals were also understated by the same amount.
..

The impact of the foregoing errors is as follows:

Statement of financial position		
Receivables from exchange transactions	-	52,648
Receivables from non-exchange transactions	-	295,573
Creditors	-	(7,830)
Community assets cost	-	8,641,115
Accumulated depreciation and impairment community	-	8,641,115
Accumulated depreciation on buildings	-	23,912
Accumulated depreciation on Intangible assets	-	(71,491)
Infrastructure assets cost	-	306,096
Accumulated depreciation and impairment Infrastructure	-	306,096
Bank	-	29,889
Statement of Financial Performance		
Rental of facilities and equipment	-	29,889
Agency services	-	52,648
Impairment gain/loss	-	(295,573)
Hired facilities	-	(7,830)
Depreciation	-	7,956
Depreciation	-	(71,491)

46. Prior period errors (continued)

Statement of Financial Performance	Previously Reported	correction of Prior period errors	Restated
Rental of facilities and equipment	1,295,099	29,890	1,324,989
Agency services	1,482,638	52,648	1,535,286
Impairment gain/ lonss	16,753,062	(295,573)	16,457,489
Depreciation	38,336,119	(47,549)	38,288,570
General expenses	40,826,649	(7,830)	40,818,819
	98,693,567	**(268,414)**	**98,425,153**

Statement of Financial Position	Previously Reported	correction of Prior period errors	Restated
Community assets cost	266,266,655	8,641,115	274,907,770
Accumulated depreciation/ impairment Community	43,505,847	8,641,115	52,146,962
Infrastructure assets cost	507,355,827	306,096	507,661,923
Accummulated depreciation/ impairment infrastructure	303,337,766	306,096	303,643,862
Accumulated surplus opening bal	740,166,299	433,490	740,599,789
Receivables from exchange transactions	2,965,732	52,648	3,018,380
Receivables from non-exchange transactions	4,747,254	295,573	5,042,827
Property, plant and equipment	507,502,124	(23,912)	507,478,212
Intangible assets	794,603	71,461	866,064
Payables from exchange transactions	17,208,461	(7,831)	17,200,630
cash and cash equivalent	210,483,645	29,889	210,513,534
	2,604,334,213	**18,745,740**	**2,623,079,953**

47. Budget differences

Material differences between budget and actual amounts

47. Budget differences (continued)

Budget vs Actual Variance Explanations for 2021/2022

REVENUE

Property Rates – There were rebates overstated in the Adjustments Budget.

Fines and penalties - There were less Library fines charge at library and Traffic fines depends on fines issued at that period.
Service Charges - The were few accounts linked to refuse during the financial year after data cleansing was made. Also, indigent rebates increase due to renewal of indigent consumers

Rental of facilities and equipment – The municipality changed segment for funds received from Rhino, in order to separate billing segment and direct payment segment to correct posting on cashflow statement. Therefore, budget for this item it is lying under rent on land servitudes

Interest earned: external investments – This is due to Grants that were not spent as expected and they are sitting on 32 days call account. E.g., Equitable Share and Equitable Share - Covid 19.
Interest earned: Internal Investment - The municipality changed segment for funds received from Rhino, in order to separate billing segment and direct payment segment to correct posting on cashflow statement. Therefore, budget for this item it is lying under rent on land servitudes and actual appears under rental from fixed assets

Licenses and permits - As per gazette No44853 date 15 July 2022, stating that all business permits expiring from 26 May 2020 to June 2021 were deemed valid and validity period extended to 31 December 2022. Therefore, less payments were received from hawkers.

Transfer recognised Operational - Municipal disaster recovery grant was not spent due to Delays which were beyond the control of the municipality were experienced as all processes were completed but the service provider withdrew from the projects as they made errors on the BOQ - therefore they couldn’t proceed with the project. The second runner up was above 80 - 20. The municipality has applied to Provincial Treasury to re-advertise and a rollover will be applied for

Transfer recognised capital
.
Other Own revenue – There were more funds received for Seta Grant than what the municipality anticipated. There were less SPLUMA and building plans applications made.
The municipality was anticipating receiving more funds on tender documents however most service providers were downloading tender documents from municipality website and its free, Due to SCM unit complying with covid 19 regulations as most briefing meeting were not compulsory.

OPERATING EXPENDITURE

Employee costs – The savings realise on salaries is due to the vacant posts that were not filled during the financial year.

Remuneration of councillors – The savings on remuneration of councillors is due to the increment as per gazette no 46470 which has an increment of 3% while the municipality budgeted for 4% and the gazette was received in June 2022 after the adjustment budget.

Depreciation & asset impairment – Some projects that we thought would be completed during budget stage were not completed. Some of these projects have high value which would have increased depreciation if they were completed.

Other materials – Fencing of Erible land and supply of poultry & material these projects were not spent due to prioritisation of Municipal Employment Initiative grant, the municipality prioritized the projects funded by MEI to avoid a large amount of the rollover.

The project is still on hold until the issue of land ownership is resolved by Land Affairs. It is alleged that the community of Mfulamhle made a land claim about Mbizweni Farm.

47. Budget differences (continued)

Contracted services – The municipality started with SCM processes in September 2021 however no service was successful in terms of SCM compliance therefore the municipality had to re-advertised in March 2022, during this period the municipalities were advised that no tenders will be issued as per judgment on PPR 17 that was declared invalid. Therefore this project was re-advertised in June 2022

Ward 16 campaign was conducted during IDP outreach in quarter 4 hence in ward 16 there is meeting with rates payers only besides the ward 16 IDP meeting. Therefore IDP office use their own budget. Also in ward 11 the municipality met with community committee instead of community.

Other projects such as Youth Council Election, Youth Summit, and Carrier Exhibition there were measures applies to adhere to cost containment. The municipality realise saving on these projects. Other projects were planned for three days and the programmed adjusted to one day.

Repairs and Maintenance – The huge unspent on repairs and maintenance was due to delays that were caused by prioritisation of 2021/2022 MIG projects to meet expenditure targets as this was a conditional grant. Further to that 2022/2023 MIG projects were prioritised on 2021/2022 financial year which then caused major delays hence there is a challenge of Capacity in the SCM office. With the limited capacity and additional projects brought forward from 2022/2023 financial year delays affected operational projects.

Other expenditure – Indigent Policy Meeting the training was not conducted on ward committees due to the process of appointing ward committees that was completed in March 2022. The induction to ward committees was only conducted on the 6th of June 2022. Therefore, revenue unit could not train them before the induction was conducted first by the department of COGTA

Advertising; Publicity and Marketing: Customer/Client Information – The municipality did not spend on this project as expected due where the project was plan to be hosted there was a community unrest and the community said there are issues need to be solved first before the municipality together with district meet them, this was not resolved till the end of the financial year.

Travel and Subsistence – the municipality realize savings because of cost containment measures.

CAPITAL EXPENDITURE

nternal Generated fund – Computer Equipment- the IT Unit was in a process to develop a new standard specification for Laptops since the existing one was discontinued - the process delayed the procurement of LAPTOP.

Certain Machinery and Equipment was part of stationery tender that was on hold due to PPR 17 declared invalid and the municipality could not be able to procure during the financial year.

The following vehicles: Public Participation Bakkie, Corporate double cab bakkie, LED double cab bakkie, Double cab Speakers office and Corporate Sedan were planned to be procured 2021-2022 but due implementation of covid 19 lockdown the municipality could not successfully be able purchase the vehicles as planed as the National treasury confirmed a global shortage of vehicle supply in South Africa also the April 2022 floods that has had devastating impact to Toyota South Africa manufacturing plant in KwaZulu Natal that resulted in a total shutdown vehicle supply.

The following systems: Audit and Risk System, Electronical Document management system, Three New Servers were not procured due to all services providers were non-compliance.

Development of New Municipal Offices – The municipal offices were funded from COVID 19 grants, and the municipality did not spend due to non-compliance of the service providers during the procurement process. The project has been applied to National Treasury for re-advert, this project is expected to spend in 2022-2023 financial year after the municipality received approval from National Treasury.

Figures in Rands

47. Budget differences (continued)

Extension of Town Library, fencing at Clydesdale Community Hall, Shelter for Pound Fleet and Equipment and Fencing of Park homes at Main Offices - The project was kept on hold due to PPR 17 being declared non-compliant by National Treasury. The available budget was revised for procurement purposes. The projects have been budgeted and re-scheduled for the next financial year in the procurement plan.

Brush Cutters, the order that was issued for brush cutters was cancelled because the items delivered by the service provider did not meet the specification.

48. Other Investments

Bank investment		
STD Bank- 248875078.002	32,153,344	30,379,144
Nedbank- 037165022759/08	41,703,925	-
	73,857,269	**30,379,144**

49. Impairment gain/losses

Impairments		
Impairment on Property, plant and equipment	2,963,157	14,712,896
Impairment on Receivable assets	2,128,922	1,744,593
	5,092,079	**16,457,489**

Disposals		
Furniture and office equipment disposal	-	43,764
Machinery and equipment disposal	1,820,640	3,533
Computer equipment disposal	48,011	24,443
Intangible disposal	-	3
Transport disposal	-	4
Community assets disposal	698,205	-
	2,566,856	**71,747**

50. Segment information

General information

Notes to the Annual Financial Statements

Figures in Rands	2022	2021

50. Segment information (continued)

Identification of segments

The segments were organized around the type of services delivered by the municipality which are also the main revenue generating streams. These segments also represent the funding sources that fund the municipal operations as per mSCOA. Management uses these same segments for determining strategic objectives particularly on the financial viability of each service. Different services funded by rates and general were aggregated to the other segment 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.

Types of goods and/or services by segment

The management purpose, the municipality is organised and operates in 3 key functional segments(business units). Management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance.

These reportable segments/ business units comprise of:

Reportable segment	Goods and/or services
Community and public safety	Community and social related services, sports and recreation
Economic and environment affairs	Roads, planning and development
Trading services	Waste management services

50. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

2022

	Community and public safety	Economic and environmental affairs	Trading services	Unallocated	Total
Revenue					
Revenue from non-exchange transactions	34,517,244	157,252,376	-	93,517,278	285,286,898
Revenue from exchange transactions	1,469,605	147,802	3,318,080	11,104,027	16,039,514
	35,986,849	**157,400,178**	**3,318,080**	**104,621,305**	**301,326,412**
Expenses					
Expenses	(40,828,688)	(55,633,329)	(8,779,965)	(152,415,101)	(257,657,083)
Depreciation	(6,862,345)	(31,599,104)	(602,259)	(2,897,006)	(41,960,714)
	(47,691,033)	**(87,232,433)**	**(9,382,224)**	**(155,312,107)**	**(299,617,797)**
Total segment surplus/deficit	(11,704,184)	70,167,745	(6,064,144)	(50,690,802)	1,708,615
Assets					
Segment assets	277,371,529	345,573,576	(2,257,438)	203,226,428	823,914,095
Segment liabilities	13,540,366	40,382,214	289,663	(88,428,806)	(34,216,563)
Additions to non-current assets	30,620,410	33,100,691	628,923	-	64,350,024
	321,532,305	**419,056,481**	**(1,338,852)**	**114,797,622**	**854,047,556**

Measurement of segment surplus or deficit, assets and liabilities

50. Segment information (continued)

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.

51. Compliance with the Municipal Finance Management Act and other Laws and Regulations

The municipality complied with all the requirements of the MFMA as required. There were no instances of material non-complienace identified during the period under reporting, except for the items disclosed in note 39 (irregular expenditure) and note 44 (deviations).

52. Significant losses incurred during the financial year

Municipality did not incure any significant losses during the financial year; except those disclosed on the Note 28 for impairment and write-off receivables.