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

General Information

Legal form of entity	Local municipality in terms of setion 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 goverment: 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	
Executive Mayor	Cllr JS Msiya
Deputy Mayor	Cllr B Lukakayi
Speaker	Cllr GS Mavuma
Chief whip	Cllr X Tshazi
Members of executive committee	Cllr S Sofunani
Members of executive committee	Cllr M Didi
Members of executive committeef	Cllr K Mafuleka
Members of executive committee	Cllr X Memela
Members of executive committee	Cllr T Manci
Members of executive committee	Cllr M Dubazana
Registered office	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
Bankers	First National Bank
Auditor	Auditor General of South Africa
Attorneys	Matthew Francis

Index

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

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant
FMG	Finance Management Grant
VAT	Value Added Tax

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 information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

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

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

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

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

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

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

The external auditor is responsible for independently reviewing and reporting on the municipality's annual financial statements and was given unrestricted access to all financial records and related data. 4.

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 financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the Accounting Officer of Umzimkhuulu Municipality on 31 August 2023 and were signed on its behalf by:

Accounting Officer
Mr CA Ngqoyiya

Statement of Financial Position as at 30 June 2023

Figures in Rand	3+	2023	2022 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	183,976,092	182,725,762
Receivables from exchange transactions	3	3,668,171	2,578,870
Receivables from non-exchange transactions	4	2,489,586	2,559,677
VAT receivable	5	8,979,570	5,398,286
		199,113,419	**193,262,595**
Non-Current Assets			
Investment property	6	31,018,063	31,048,236
Property, plant and equipment	7	601,595,843	534,398,759
Intangible assets	8	404,242	490,186
Heritage assets	9	432,000	432,000
Other investments	10	-	73,857,269
		633,450,148	**640,226,450**
Total Assets		**832,563,567**	**833,489,045**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	32,582,290	31,003,265
Unspent conditional grants and receipts	12	1,465,270	34,172,356
Employee benefit obligation	13	464,636	722,528
Provisions	14	18,407,046	5,748,756
		52,919,242	**71,646,905**
Non-Current Liabilities			
Employee benefit obligation	13	5,196,194	4,969,075
Total Liabilities		**58,115,436**	**76,615,980**
Net Assets		**774,448,131**	**756,873,065**
Reserves			
Housing Development fund	15	17,322,592	20,994,189
Accumulated surplus	16	757,125,539	735,879,076
Total Net Assets		**774,448,131**	**756,873,265**

* See Note 52

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Interest received - investment	17	13,384,575	9,372,691
Rental of facilities and equipment	18	1,538,418	1,440,720
Agency services	19	1,179,258	1,407,310
Service charges	20	3,097,612	2,984,331
Interest received (trading)	21	429,198	340,224
Licences and permits		54,219	17,502
Other income	22	434,255	537,794
Construction contracts		7,170,989	3,899,585
Total revenue from exchange transactions		**27,288,524**	**20,000,157**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	9,406,082	9,403,259
Transfer revenue			
Government grants & subsidies	24	287,947,901	278,888,896
Public contributions and donations	25	2,986,000	225,000
Fines, penulties and forfeits	26	510,668	628,044
Proceeds on disposals	27	1,161,797	20,630
Total revenue from non-exchange transactions		**302,012,448**	**289,165,829**
Expenditure			
Employee related costs	29	(122,001,153)	(113,990,884)
Remuneration of councillors	30	(17,436,047)	(17,515,769)
Bad debts written off	31	(2,011,077)	(695,022)
Depreciation and amortisation	32	(44,661,966)	(41,971,501)
Finance costs	33	(13,846,733)	(2,265,128)
Lease rentals on operating lease		(383,918)	(476,092)
Contracted services	34	(59,653,086)	(41,753,609)
Transfers and Subsidies	35	(330,000)	(756,000)
Assets write-offs	36	(80,312)	(5,533,152)
Debt impairments	37	(1,023,494)	(2,128,922)
General Expenses	38	(62,608,520)	(51,188,893)
Total expenditure		**(324,036,306)**	**(278,274,972)**
Surplus for the year from continuing operations		**5,264,666**	**30,891,014**
Impairment reversal	39	11,364,487	-
Surplus for the year		**16,629,153**	**30,891,014**

* See Note 52

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2021	**21,650,398**	**740,599,793**	**762,250,191**
Changes in net assets			
Surplus for the year	-	30,891,014	30,891,014
Interest on Housing development fund	487,687	-	487,687
Housing development payments	(1,143,896)	1,143,896	-
Correction of error	-	(36,755,627)	(36,755,627)
Total changes	(656,209)	(4,720,717)	(5,376,926)
Restated* Balance at 01 July 2022	**20,994,189**	**735,878,877**	**756,873,066**
Changes in net assets			
Surplus for the year	-	16,629,153	16,629,153
Interest on Housing development fund	945,912	-	945,912
Housing development payments	(4,617,509)	4,617,509	-
Total changes	(3,671,597)	21,246,662	17,575,065
Balance at 30 June 2023	**17,322,592**	**757,125,539**	**774,448,131**
Note(s)	15		

* See Note 52

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Receipts from rates payers and other services		8,874,257	5,156,769
Government grants and subsidies		255,240,815	271,513,000
Interest income		13,813,773	5,894,567
Funds receipts		-	14,576,000
Taxation Revenue		9,916,750	10,031,303
		287,845,595	307,171,639
Payments			
Employee costs		(137,699,360)	(132,047,713)
Suppliers and other payments		(108,738,214)	(85,042,255)
Finance costs		(13,846,733)	-
Payments from funds		-	(4,484,523)
		(260,284,307)	(221,574,491)
Net cash flows from operating activities	41	**27,561,288**	**85,597,148**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(97,277,750)	(73,161,429)
Proceeds from sale of property, plant and equipment	7	1,161,797	-
Purchase of other intangible assets	8	(195,005)	(223,491)
Investments		70,000,000	(40,000,000)
Net cash flows from investing activities		**(26,310,958)**	**(113,384,920)**
Net increase/(decrease) in cash and cash equivalents		**1,250,330**	**(27,787,772)**
Cash and cash equivalents at the beginning of the year		182,725,762	210,513,534
Cash and cash equivalents at the end of the year	2	**183,976,092**	**182,725,762**

The accounting policies on pages 10 to 39 and the notes on pages 40 to 79 form an integral part of the annual financial statements.

* See Note 52

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2023											
Financial Performance											
Property rates	9,468,275	101,740	9,570,015	-		9,570,015	9,406,082		(163,933)	98 %	99 %
Service charges	3,112,056	38,847	3,150,903	-		3,150,903	3,097,612		(53,291)	98 %	100 %
Interest received- Investments	8,043,866	4,606,171	12,650,037	-		12,650,037	13,384,575		734,538	106 %	166 %
Government grants and subsidies	239,805,000	500,000	240,305,000	-		240,305,000	238,666,901		(1,638,099)	99 %	100 %
Other own revenue	1,282,806	851,800	2,134,606	-		2,134,606	434,255		(1,700,351)	20 %	34 %
Rental of facilities and equipment	559,446	519,523	1,078,969	-		1,078,969	1,538,418		459,449	143 %	275 %
Interest received- trading	338,042	157,953	495,995	-		495,995	429,198		(66,797)	87 %	127 %
Agency services	1,450,000	(150,000)	1,300,000	-		1,300,000	1,179,258		(120,742)	91 %	81 %
Licences and permits	50,000	(15,000)	35,000	-		35,000	54,219		19,219	155 %	108 %
Fines, penulties and forfeits	701,000	(150,500)	550,500	-		550,500	510,668		(39,832)	93 %	73 %
Donations	-	-	-	-		-	2,986,000		2,986,000	DIV/0 %	DIV/0 %
Gain on non- current assets disposed	-	1,527	1,527	-		1,527	-		(1,527)	- %	DIV/0 %
Total revenue (excluding capital transfers and contributions)	**264,810,491**	**6,462,061**	**271,272,552**	**-**		**271,272,552**	**271,687,186**		**414,634**	**100 %**	**103 %**
Employee costs	(125,364,248)	(1,748,220)	(127,112,468)	-	-	(127,112,468)	(122,001,153)	-	5,111,315	96 %	97 %
Remuneration of councillors	(18,980,272)	-	(18,980,272)	-	-	(18,980,272)	(17,436,047)	-	1,544,225	92 %	92 %
Bad debts written off	(1,100,000)	(1,275,000)	(2,375,000)	-	-	(2,375,000)	(2,011,077)	-	363,923	85 %	183 %
Depreciation and asset impairment	(50,500,248)	1,382,248	(49,118,000)			(49,118,000)	(42,650,889)	-	6,467,111	87 %	84 %
Finance charges	-	-	-	-	-	-	(13,846,733)	-	(13,846,733)	DIV/0 %	DIV/0 %
Lease rentals	-	(540,000)	(540,000)	-	-	(540,000)	(383,918)	-	156,082	71 %	DIV/0 %

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Contracted services	(93,347,000)	11,407,295	(81,939,705)	-	2,970,000	(78,969,705)	(59,653,086)	-	19,316,619	76 %	64 %
Transfers and subsidies	-	(330,000)	(330,000)	-	-	(330,000)	(330,000)	-	-	100 %	DIV/0 %
General expenses	(64,875,550)	(8,326,550)	(73,202,100)	-	(2,970,000)	(76,172,100)	(62,640,825)	-	13,531,275	82 %	97 %
Total expenditure	**(354,167,318)**	**569,773**	**(353,597,545)**	**-**	**-**	**(353,597,545)**	**(320,953,728)**	**-**	**32,643,817**	**91 %**	**91 %**
Surplus/(Deficit)	**(89,356,827)**	**7,031,834**	**(82,324,993)**	**-**		**(82,324,993)**	**(49,266,542)**		**33,058,451**	**60 %**	**55 %**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	69,281,000	-	69,281,000	-		69,281,000	49,281,000		(20,000,000)	71 %	71 %
Internally generated funds	-	-	-	-		-	2,986,000		2,986,000	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**(20,075,827)**	**7,031,834**	**(13,043,993)**	**-**		**(13,043,993)**	**3,000,458**		**16,044,451**	**(23)%**	**(15)%**
Surplus/(Deficit) for the year	**(20,075,827)**	**7,031,834**	**(13,043,993)**	**-**		**(13,043,993)**	**3,000,458**		**16,044,451**	**(23)%**	**(15)%**

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	129,740,000	8,180,000	137,920,000	-		137,920,000	62,097,563		(75,822,437)	45 %	48 %
Sources of capital funds											
Transfers recognised - capital	69,281,000	-	69,281,000	-		69,281,000	-		(69,281,000)	- %	- %
Internally generated funds	60,460,000	8,180,000	68,640,000	-		68,640,000	-		(68,640,000)	- %	- %
Total sources of capital funds	**129,741,000**	**8,180,000**	**137,921,000**	**-**		**137,921,000**	**-**		**(137,921,000)**	**- %**	**- %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	71,289,000	10,835,000	82,124,000	-		82,124,000	27,561,288		(54,562,712)	34 %	39 %
Net cash from (used) investing	(99,362,000)	(8,178,000)	(107,540,000)	-		(107,540,000)	(26,310,958)		81,229,042	24 %	26 %
Net increase/(decrease) in cash and cash equivalents	**(28,073,000)**	**2,657,000**	**(25,416,000)**	**-**		**(25,416,000)**	**1,250,330**		**26,666,330**	**(5)%**	**(4)%**
Cash and cash equivalents at the beginning of the year	210,484,000	(27,758,000)	182,726,000	-		182,726,000	182,725,762		(238)	100 %	87 %
Cash and cash equivalents at year end	**182,411,000**	**(25,101,000)**	**157,310,000**	**-**		**157,310,000**	**183,976,092**		**(26,666,092)**	**117 %**	**101 %**

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 of 2009. A comparative of actual to budget amounts are reported in the statement of comprison of budget and actual amounts. Explanatory comments are 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 intergrated Development Plan. The budget is prepared and approved on an accural basis by nature classification. The approved budget covers the period 1 July 2022 to 30 June 2023.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could infuence the decision or assessments of the users of the financial statements in determining whether a difference between the budget and actual amounts 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 property, plant, and equipment, 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 property, plan, and equipment - 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.

Summary of Significant Accounting Policies

. Critical judgements, estimation and assumptions (continued)

1.5.8 Costruction contracts

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

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

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

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

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

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

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

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

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

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

1.6 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.

. 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
Machinery and equipment	
• 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.

. 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

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

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.

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.

Summary of Significant Accounting Policies

. Heritage assets (continued)

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 its Heritage asset 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.

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:

. Financial instruments (continued)

- 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.

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;

Summary of Significant Accounting Policies

. Financial instruments (continued)

- 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 accordacne with GRAP 104 financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at armotised cost and financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition.

The municipality's statement of financial position 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 42.

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.

. 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 .

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.

Summary of Significant Accounting Policies

. 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.

. 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

Summary of Significant Accounting Policies

. 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 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 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

. Statutory receivables identification (continued)
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 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
-

Summary of Significant Accounting Policies

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.

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.

Summary of Significant Accounting Policies

. Related parties (continued)

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 2022/07/01 to 2023/06/30.

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

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:

- 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.

Summary of Significant Accounting Policies

. Events after reporting date (continued)

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).

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.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,089	159
Bank balances	2,660,333	6,179,237
Short-term deposits	181,314,670	176,546,366
	183,976,092	**182,725,762**

The municipality had the following bank accounts

Account number / description	**Bank statement balances**		**Cash book balances**	
	30 June 2023	**30 June 2022**	**30 June 2023**	**30 June 2022**
FNB- Cheque account- 52555730913	1,274,564	1,669,642	2,660,333	6,179,237
MIG grant-FNB- 62123938055	8,460,060	7,099,496	8,460,060	6,687,546
Electricity- FNB- 62174363508	4,151,723	11,408,003	4,151,723	8,337,107
Rietvlei/Cly surv-FNB- 62123938104	1,122,689	1,067,726	-	-
32 Days acc- FNB- 62132172355	156,132,690	139,311,696	150,544,944	137,039,663
Human settlement housing oper acc- 62396633838	16,349,107	21,070,360	17,471,795	20,994,190
Sports grant- FNB- 62814621901	686,149	6,359,292	686,149	3,487,857
Total	**188,176,982**	**187,986,215**	**183,975,004**	**182,725,600**

3. Receivables from exchange transactions

Prepayments	2,968,717	1,951,036
Operating lease receivables	34,622	53,345
Consumer debtors - Rentals	247,084	146,603
Consumer debtors - Refuse	364,535	368,566
Sundry debtors	53,213	59,320
	3,668,171	**2,578,870**

Refuse		
Gross balance	8,222,203	7,640,373
Less: Allowance for impairment	(7,857,667)	(7,271,806)
	364,536	**368,567**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

3. Receivables from exchange transactions (continued)

Refuse residential		
Current (0-30 days)	367,006	340,520
31-60 days	165,674	160,458
61-90 days	162,965	156,514
91-120 days	159,782	153,292
121-365 days	7,144,006	6,644,638
	-	-
	7,999,433	7,455,422
Less: allowance for impairment	(7,836,892)	(7,244,466)
	162,541	210,956

Refuse commercial		
Current (0-30 days)	18,167	21,289
31-60 days	4,254	3,885
61-90 days	4,170	3,483
91-120 days	3,895	3,737
121-365 days	46,216	41,549
	-	-
	76,703	73,943
Less: allowance for impairment	(20,775)	(27,340)
	55,928	46,603

Refuse state owned		
Current (0-30 days)	-	37
31-60 days	-	19
61-90 days	-	19
91-120 days	-	19
121-365 days	11	4,073
	11	**4,167**

Dumping refuse		
Current (0-30 days)	102,723	83,275
31-60 days	13,281	3,708
	116,004	**86,983**

Skip waste refuse		
Current (0-30 days)	18,514	18,441
31-60 days	1,537	1,417
61-90 days	1,529	-
91-120 days	1,521	-
121-365 days	6,951	-
	30,052	**19,858**

Rentals		
Current (0-30 days)	133,968	72,228
31-60 days	25,969	8,314
61-90 days	21,316	7,618
91-120 days	9,757	4,648
121-365 days	56,074	53,795
	247,084	**146,603**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Receivables from non-exchange transactions

Gross debters		
Fines	1,015,059	1,029,239
Consumer debtors - Rates	5,577,715	5,505,273
	6,592,774	**6,534,512**
Impairment		
Fines impairment	(725,209)	(727,089)
Property rates impairment	(3,377,979)	(3,247,746)
	(4,103,188)	**(3,974,835)**
Net debtors		
Fines	289,850	302,150
Property rates	2,199,736	2,257,527
	2,489,586	**2,559,677**

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

Fines	1,015,059	1,029,239
Property rates- Business and commercial	794,692	758,098
Property rates- Residential	2,558,276	2,512,452
Property rates- Municipal	582,001	552,831
Property rates- state owned properties	1,350,226	1,408,655
Property rates- Industrial	57,088	53,988
Property rates- vacant land	235,433	219,249
	6,592,775	**6,534,512**
	-	-

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 calcualted by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest directly, and is therefore not considered to be reveneue for the municipality.

Property rates are levied in terms of section 7 to section 15 of the Municipal Property Rates Act no 6 of 2004. Property rates are levied as per the tariffs approved by the municipal council using the gazetted General Valaution 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 than 90 days, only amounts more than 90 days are provided for. Government properties we do not prover for and lease agreements we do not provide for. Receivables are grouped and assessed for collective impairment as per Mscoa segments. The discount rate variess 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 the experience of past practices and statistics in relation to uncollectable debt.
In assessing whether statutory receivables are impaired, managment 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 smilar risk profiles and assessed for impairment.

Figures in Rand	2023	2022

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:

Fines	(725,209)	(727,089)
Property rates- Business and commercial	(325,657)	(316,177)
Property rates- Residential	(2,390,010)	(2,299,735)
Property rates- Municipal	(424,104)	(402,615)
Property rates- Industrial	(16,836)	(14,950)
Property rates- Vacant land	(221,372)	(214,269)
	(4,103,188)	**(3,974,835)**

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 and receivables that may be impaired as well as groups of similar receivables that may be impaired.

The total debtors were turther separated into groups of similar receivables with similar risk profiles and assessed for impairment.

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

Traffic fines	289,849	302,150
Property rates- Business and commercial	469,035	441,921
Property rates- Residential	168,265	212,717
Property rates- Municipal	157,896	150,216
Property rates- State owned properties	1,350,226	1,408,655
Property rates- Industrial	40,252	39,038
Property rates- Vacant land	14,061	4,980
	2,489,584	**2,559,677**

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

As of 30 June 2023, statutory receivables that were considered to be past due and not impaired. This was determined by taking into account the debt that was 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:

Fines	289,850	302,150
Property rates	2,199,736	2,257,527
	2,489,586	**2,559,677**

Summary of aging of debtors

Traffic fines

Current (0-30 days)	23,850	30,900
31-60 days	13,450	14,550
61-90 days	31,450	17,900
91-120 days	23,450	33,800
121 days and over	922,859	932,089
	1,015,059	**1,029,239**

Property rates

Current (0-30 days)	489,127	487,266
31-60 days	124,884	118,845

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Receivables from non-exchange transactions (continued)

61-90 days	122,437	113,115
91-120 days	111,993	110,463
121 days and over	4,729,275	4,675,584
	5,577,716	**5,505,273**

5. VAT receivable

VAT receivable	8,979,570	5,398,286

Vat is imposed as per amended Value Added Tax Act no.9 of 2021 where any goods manufatured in the Republic, being of a class or kind subject to excise duty or environmental levy under Part 2 OR 3 of the 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 dertermined by subtracting VAT payable from VAT receivable.

6. Investment property

	2023			2022		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	31,802,115	(784,052)	31,018,063	31,802,115	(753,879)	31,048,236

Reconciliation of investment property - 2023

	Opening balance	**Depreciation**	**Total**
Investment property	31,048,236	(30,173)	31,018,063

Reconciliation of investment property - 2022

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

6. Investment property (continued)

6.1 Rental income from investment property

Direct income from rentals	1,538,418	1,440,720

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	(784,052)	(753,879)
	120,940	**151,113**

Municipal vacant land

Erven 152

- Purchase price: 1 December 1997	13,136,123	13,136,123
-Additions since purchase or valuation	2,451,000	2,461,000
	15,587,123	**15,597,123**

Property 4
Erven 155
Duration: 50 years
Termination: 31 December 2062
Rental income 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 geater than 8% per annum.

-Purchase price: 1 January 2013	10,000,000	10,000,000

Total investments value

- Land shopping complex	5,300,000	5,300,000
-Building- Hotel and housing	120,940	151,113
-Municipal vacant properties	15,587,123	15,597,123
-Land- Umzimkhulu mall	10,000,000	10,000,000
	31,008,063	**31,048,236**

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

	2023			2022		
	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	51,407,939	(19,563,773)	31,844,166	51,295,659	(18,300,732)	32,994,927
Solid waste	13,604,947	(1,489,145)	12,115,802	12,096,828	(886,886)	11,209,942
Furniture and fixtures	4,547,435	(3,665,275)	882,160	4,472,398	(3,421,760)	1,050,638
Motor vehicles	12,796,102	(9,847,654)	2,948,448	12,194,061	(8,715,850)	3,478,211
IT equipment	4,596,167	(3,135,186)	1,460,981	4,547,014	(2,624,044)	1,922,970
Electrical Infrastructure	5,981,043	(460,252)	5,520,791	5,981,043	(161,406)	5,819,637
Infrastructure	573,530,780	(358,595,797)	214,934,983	535,169,588	(329,593,738)	205,575,850
Community	337,080,702	(56,660,095)	280,420,607	292,650,274	(61,188,902)	231,461,372
Machinery and equipment	61,373,367	(22,426,933)	38,946,434	49,501,795	(18,025,583)	31,476,212
Water irrigation	3,112,471	-	3,112,471	-	-	-
Total	**1,077,439,953**	**(475,844,110)**	**601,595,843**	**977,317,660**	**(442,918,901)**	**534,398,759**

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	9,409,000	-	-	-	-	9,409,000
Buildings	32,994,927	112,280	-	(1,263,040)	-	31,844,166
Solid waste	11,209,942	1,508,119	-	(602,259)	-	12,115,802
Stormwater and roads Infrastructure	205,575,850	38,361,192	-	(29,001,389)	-	214,934,983
Electrical Infrastructure	5,819,637	-	-	(298,846)	-	5,520,791
Community	231,461,372	44,430,428	-	(6,835,679)	11,364,487	280,420,607
Motor vehicles	3,478,211	602,041	-	(1,131,803)	-	2,948,448
IT equipment	1,922,970	179,111	(70,151)	(570,950)	-	1,460,981
Furniture and fixtures	1,050,638	86,537	(10,160)	(244,854)	-	882,160
Machinery and equipment	31,476,212	11,871,571	-	(4,401,351)	-	38,946,434
Water irrigation	-	3,112,471	-	-	-	3,112,471
	534,398,759	**100,263,750**	**(80,311)**	**(44,350,171)**	**11,364,487**	**601,595,843**

Impairment basis

There is an impairment reversal of R11 364 487 recognised in Property, plant and equipment that relates to community assets. This was due to the fact that some community facilities were in a poor condition in the previous financial years mostly due to vandalism, and the municipality has since done rennovations on those assets thus restoring its condition.

WIP reconcilliation	Included in Buildings	Included in Infrastructure	Included in Community	Solid waste infrastucture	Re-stated opening balance
Opening balance	1,320,000	31,622,336	83,109,229	628,932	116,680,497
Additions	3,112,471	38,361,192	44,430,428	1,508,119	87,412,210
Capitalised	-	(45,667,630)	(5,670,359)	-	(51,337,989)
	4,432,471	**24,315,898**	**121,869,298**	**2,137,051**	**152,754,718**

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Repairs and Maintenance		
Stormwater and roads infrastructure	13,032,405	-
Community assets	1,799,522	-
Machinery and equipment	3,125,702	-
Furniture and fixtures	76,254	-
Motor vehicles	1,038,809	-
	19,072,692	**-**

Pledged as security
There are no assets pleadged as security

Depreciation methods

Items	**Depreciation method**
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

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 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
Solid waste	11,183,269	628,932	-	(602,259)	-	11,209,942
Stormwater and roads Infrastructure	199,813,170	31,712,552	-	(25,949,872)	-	205,575,850
Electrical Infrastructure	4,205,624	1,775,419	-	(161,406)	-	5,819,637
Community	211,577,529	30,318,559	(698,204)	(6,832,172)	(2,904,340)	231,461,372
Motor vehicles	4,944,661	-	(19,985)	(1,446,465)	-	3,478,211
IT equipment	1,791,546	854,724	(86,116)	(637,184)	-	1,922,970
Furniture and fixtures	838,137	486,592	-	(274,091)	-	1,050,638
Machinery and equipment	29,464,968	8,013,574	(1,819,920)	(4,182,410)	-	31,476,212
	507,478,934	**73,790,352**	**(2,624,225)**	**(41,341,962)**	**(2,904,340)**	**534,398,759**

Opening balance reconcilliation	Opening balance	Prior period errors and corrections	Column heading	Column heading	Adjusted opening balance
Land	9,409,000	-	-	-	9,409,000
Buildings	34,274,942	(23,909)	-	-	34,251,033
Infrastructure	204,018,972	-	-	-	204,018,972
Community	222,760,808	-	-	-	222,760,808
Other fixed assets	37,039,313	-	-	-	37,039,313
	507,503,035	**(23,909)**	**-**	**-**	**507,479,126**

WIP reconcilliation	Included in building	Included in infrastructure	Included in community	Solid waste infrastructure	Electrical infrastructure	Total
Opening balance	1,558,680	19,809,378	52,236,732	-	4,205,624	77,810,414
PPE	(238,680)	-	-	-	-	(238,680)
Additions	-	31,627,118	30,318,559	628,932	1,775,419	64,350,028
Capitalised	-	(19,860,306)	(6,969,109)	-	(5,981,043)	(32,810,458)
Impairment	-	-	(625,565)	-	-	(625,565)

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Subtotal	1,320,000	31,576,190	74,960,617	628,932	-	108,485,739
	1,320,000	**31,576,190**	**74,960,617**	**628,932**	**-**	**108,485,739**

Repairs and maintenance 2022

Buildings	-	249,820
Infrastructure	-	6,693,844
Other fixed assets	-	3,578,430
	-	**10,522,094**

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 plant machinery this note allows us to actually show other expenses incured in repairing and maintaining our assets

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

Notes to the Annual Financial Statements

Figures in Rand

8. Intangible assets

	2023			2022		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	2,308,280	(1,904,038)	404,242	2,201,024	(1,710,838)	490,186

Reconciliation of intangible assets - 2023

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	490,186	195,005	(280,949)	404,242

Reconciliation of intangible assets - 2022

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

Notes to the Annual Financial Statements

Figures in Rand

9. Heritage assets

	2023			2022		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical buildings	432,000	-	432,000	432,000	-	432,000

Reconciliation of heritage assets 2023

	Opening balance	**Total**
Historical buildings	432,000	432,000

Reconciliation of heritage assets 2022

	Opening balance	**Total**
Historical buildings	432,000	432,000

Included in heritage assets are assets that have been identified as taking signiificantly longer period of time to complete than expected, due to the follwings:

Heritage Hall	255,000	255,000

The reasons for the dalays in the rennovations of the Memorial hall: The rennovation of the Memorial hall were delayed due to the non approval of the go ahead by Ezamafa.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

10. Other investments

STD BANK- 248875078002		
Opening balance	32,153,344	30,379,144
Interest accrued	1,395,056	1,774,200
matured investment (returned)	(33,548,400)	-
	-	**32,153,344**

Nedbank- 037165022759/08		
Opening balance	41,703,925	-
Capital amount invested	-	40,000,000
Interest accrued	2,174,791	1,703,925
matured investment (returned)	(43,878,716)	-
	-	**41,703,925**

Bank investments		
STD bank- 248875078002	-	32,153,344
Nedbank- 037165022759/08	-	41,703,925
	-	**73,857,269**

Both the Standard bank and Nedbank investments matured during the year, and the money was returned to the Municipality with its interest.

11. Payables from exchange transactions

Payments received in advanced	560,137	829,760
Payments received in advance-construction contract	4,024,181	8,775,197
Deposits received from consumers	22,830	22,830
Deposits received Unallocated	268,351	310,221
Accrued leave pay	6,096,105	5,267,639
Retention	13,317,366	9,088,537
Creditors accrual	8,290,610	6,706,377
Creditors	2,705	2,704
	32,582,290	**31,003,265**

Construction contract- Electrification disclosure

Amounts of contract revenue recognised	7,170,989	3,899,585
outstanding balance	4,627,809	10,091,477
	-	**-**

At the reporting date 30 June 2023, the contract revenue was recognised when the INEP grant was transfered into the municipality and the municipality incurred expenditure on work done and professional fees. The municipality used an accrual basis and the amounts are inclusive of the retention accrued.
Therefore the outstanding balance of R4 627 809 is inclusive of the retention amount of R727 894.20

The stage of completion of contracts in progress was dertemined on the avarage of work done versus the avarage billed quantities per line item.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Development planning title deeds	1,465,270	1,465,270
Municipal employment initiative	-	132,144
Covid 19 Grant	-	32,574,942
	1,465,270	**34,172,356**

13. Employee benefit obligations

Long service awards		
Opening accrued liability	5,691,604	5,630,250
Past service cost	591,444	612,841
Interest cost	596,998	473,618
Actuarial (gains) losses	(743,481)	(58,580)
Expected return on plan assets	(475,734)	(966,525)
	5,660,831	**5,691,604**

Employees who achieve 5 years of serivce 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 months salaries rate at 30 June 2023. it has been assumed that the staff turnover will be insignificant based on historical data. A discount rate of 11.11%(2022: 11.20%) was used on internal rate of return.

In dertermining the provision for long service awards the municipality utilized the services of indipendant actuarials.

Split between short and long-term portion of obligation

Employee benefit obligation- short term	464,636	722,528
Employee benefit obligation- long term	5,196,195	4,969,076
	5,660,831	**5,691,604**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.11 %	11.20 %
Expected rate of return on reimbursement rights	6.08 %	7.28 %
Expected increase in salaries	7.08 %	8.28 %
Proportion of employees opting for early retirement	3.76 %	2.70 %

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 Rand	2023	2022

14. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Landfill site provision	5,748,756	12,658,290	18,407,046

Reconciliation of provisions - 2022

	Opening Balance	Additions	Total
Landfill site provision	4,570,086	1,178,670	5,748,756

Landfill site

The Mankofu dump site has reached its useful life, and the provisional estimate for the rehabilitation and closure of Mankofu disposal site as prepare by Mntomnyama Consulting Engineers.

The following must be noted:

The capping design requires commercially sourced materials i.e. liners that meet the specifications as per the approved licence (WML) to be approved by DWS.

The shortage of the required cohesive layer from Umzimkhulu local borrow pits result in the material being sourced from a commercial source i.e the area is surrounded by black shale and has limited dense clay required etc. Some of the works consist of specialist lining installers.

15. Housing Development Fund

Human Settlement Housing Development Fund

	2023	2022
Opening balance	20,994,189	21,650,399
Transfer in/out	(4,617,509)	(1,143,896)
Current year interest	945,912	487,686
	17,322,592	**20,994,189**

16. Accumulated surplus

Reconciliation of accumulated surplus- June 2023	Opening balance	Surplus for the year	Adjustment during the year	Total
Opening balance	735,878,877	16,629,153	4,617,509	757,125,539

Reconciliation of accumulated surplus- June 2022	Opening balance	Surplus for the year	Adjustment during the year	Prio year adjustments	Total
Opening balance	740,599,793	30,891,014	1,143,896	(36,755,826)	735,878,877

17. Interest received- investments

Interest revenue	2023	2022
Bank	281,586	157,032
Short-term investments	13,102,989	9,215,659
	13,384,575	**9,372,691**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

18. Rental of facilities and equipment

Premises		
Rentals on municipal land	950,370	805,137
Facilities and buildings	588,048	635,583
	1,538,418	**1,440,720**

19. Agency services

Driver's Licenses	570,126	733,885
Vehicle Registration	609,132	673,425
	1,179,258	**1,407,310**

20. Service charges

Solid waste	176,394	155,541
Waste disposal	869,683	875,819
Refuse removal	2,051,535	1,952,971
	3,097,612	**2,984,331**

21. Interest received (Trading)

Interest received- Refuse	418,030	333,750
Interest received- Rentals	11,168	6,474
	429,198	**340,224**

22. Other income

Tender income	126,566	26,435
Clearance certificates	2,826	4,553
Refund income	-	1,739
Cemetry fees	10,050	11,897
Hall fees	40,160	46,750
Copyright/ royalty	28,499	62,967
Seta fund	-	210,916
Insurance refund	49,036	41,812
PDA applications for land usage	24,535	20,513
Advertising income	43,050	43,442
Building plans and servitudes	68,499	66,080
Staff recoveries	38,005	-
handling fees	1,480	-
PDA applications for maps	574	265
Over banking	975	425
	434,255	**537,794**

Figures in Rand	2023	2022

23. Property rates

Rates raised

Residential	1,836,269	1,812,906
Commercial	4,082,865	4,125,150
State	5,515,433	5,496,962
Municipal	392,869	396,203
Industrial	3,100	3,100
Vacant	89,233	87,736
Less: rebates	(2,513,687)	(2,518,798)
	9,406,082	**9,403,259**

Valuations

Residential	335,679,000	328,450,000
Commercial	289,436,000	277,438,000
Public service purposes	614,156,000	634,136,000
Municipal	152,871,000	153,343,000
Industrial	3,179,000	3,179,000
Place of worship	12,854,000	12,854,000
Agriculture	827,983,000	827,983,000
Public service infrastructure	13,410,000	12,449,000
Communal property	-	2,066,000
Vacant land	26,776,000	24,706,000
Public benefit organisation (PBO)	179,000	-
Communal property (CPA)	2,066,000	-
	2,278,589,000	**2,276,604,000**

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

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..

The new general valuation will be implemented on 01 July 2024.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

24. Government grants & subsidies

Operating grants		
Equitable share	230,672,974	210,352,000
FMG	1,850,000	1,850,000
Cleaning competition municipal award	434,783	-
Arts and culture	2,004,000	1,910,000
Expanded public works programme	3,573,000	3,377,000
Covid 19 Grant	-	3,860,040
Municipal Employment Initiative	132,144	867,856
	238,666,901	**222,216,896**
Capital grants		
MIG Grant	49,281,000	45,728,000
Sports Grant	-	10,944,000
	49,281,000	**56,672,000**
	287,947,901	**278,888,896**

Equitable Share

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

Finance management grant

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

The purpose of this grant is to promote sound financial management

Withheld/ delayed grant: None.

Arts and culture grant

Current-year receipts	2,004,000	1,910,000
Conditions met - transferred to revenue	(2,004,000)	(1,910,000)
	-	-

The purpose of this grant is to fund salaries of the Librarians.
Withheld/ delayed grant: None.

Expanded public works programme

Current-year receipts	3,573,000	3,377,000
Conditions met - transferred to revenue	(3,573,000)	(3,377,000)
	-	-

The purpose of this grant is to reduce poverty and unemployment
Withheld/ delayed grant: None.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

24. Government grants & subsidies (continued)

Sport grant

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

The municipality was supposed to receive sport grant of R20 million, but did not receive it.

Municipal infrastructure grant

Current-year receipts	49,281,000	45,728,000
Conditions met - transferred to revenue	(49,281,000)	(45,728,000)
	-	-

The purpose of this grant is for infrastructure development.
Withheld/ delayed grant: None.

Development planning title deeds

Balance unspent at beginning of year	1,465,270	1,465,270

Conditions still to be met - remain liabilities (see note 12).

Municipal employment initiative

Balance unspent at beginning of year	132,144	-
Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	(132,144)	(867,856)
	-	**132,144**

The purpose of this grant is to support informal and micro business enterprises in order to stimulate local economic development and to create job opportunities.
Withheld/ delayed grant: None.

Disaster relief (Covid 19)

Balance unspent at beginning of year	32,574,942	36,434,982
Conditions met - transferred to revenue	-	(3,860,040)
unspent portin returned to treasury	(32,574,942)	-
	-	**32,574,942**

The purpose of this grant was to deal with the disaster of the Covid 19.
Unspent: The amount of R32 574 942 was not spent, and it was deducted in municipal equitable share in the current financial year.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

25. Public contributions and donations

Waste bins donation	-	225,000
Truck donaton	2,250,000	-
Tractor donation	736,000	-
	2,986,000	**225,000**

26. Fines, Penalties and Forfeits

Overdue books fine	223	829
Pound fees fine	195,995	300,765
Traffic fines	314,450	326,450
	510,668	**628,044**

27. Proceeds on disposal

Proceeds on disposals of Lap tops	1,161,797	20,630

The proceeds on disposals on auction are funds that were received from the auction that was conducted by the municipality on assets that were redundant.

The proceeds on disposals of lap tops are claims from the insurance on lap tops that have been lost.

28. Revenue

Fines, penulties and forfeits	510,668	628,044
Service charges	3,097,612	2,984,331
Construction contracts	7,170,989	3,899,585
Rental of facilities and equipment	1,538,418	1,440,720
Interest received (trading)	429,198	340,224
Agency services	1,179,258	1,407,310
Licences and permits	54,219	17,502
Other income	434,255	537,794
Interest received - investment	13,384,575	9,372,691
Property rates	9,406,082	9,403,259
Government grants & subsidies	287,947,901	278,888,896
Public contributions and donations	2,986,000	225,000
Proceeds on disposals	1,161,797	20,630
	329,300,972	**309,165,986**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	3,097,612	2,984,331
Construction contracts	7,170,989	3,899,585
Rental of facilities and equipment	1,538,418	1,440,720
Interest received (trading)	429,198	340,224
Agency services	1,179,258	1,407,310
Licences and permits	54,219	17,502
Other income	434,255	537,794
Interest received - investment	13,384,575	9,372,691
	27,288,524	**20,000,157**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	9,406,082	9,403,259
Fines, penulties and forfeits	510,668	628,044
Transfer revenue		
Government grants & subsidies	287,947,901	278,888,896
Public contributions and donations	2,986,000	225,000
Proceeds on disposals	1,161,797	20,630
	302,012,448	**289,165,829**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

29. Employee related costs

Basic	78,605,470	74,632,727
Bonus	5,159,683	4,752,400
Medical aid - company contributions	6,310,848	5,908,455
UIF	630,913	602,050
Leave encashment	4,186,978	2,150,935
Shift and danger allowance	1,089,040	1,257,580
Bargaining council	28,031	26,902
Pension fund municipal contributions	10,649,787	9,952,749
Travel, motor car, accommodation, subsistence and other allowances	8,065,800	7,657,377
Overtime payments	4,480,439	3,908,206
Acting allowances	316,547	29,959
Housing benefits and allowances	1,776,918	1,762,973
Actuarial losses	(743,481)	(58,580)
Cellphone expenses	1,152,735	878,206
Standby Allowance	263,445	423,945
Service related benefits (uniform)	28,000	105,000
	122,001,153	**113,990,884**

Remuneration of Municipal Manager

Annual Remuneration	488,023	681,354
Bonus contract	-	136,271
Travel allowance	203,343	283,898
Contributions to UIF, Medical and Pension Funds	114,994	170,335
Cellphone allowance	20,250	22,500
Subsistance allowance	10,773	1,956
Leave encashment	-	119,743
Backpay	2,680	-
	840,063	**1,416,057**

The municipal manager only resumed his duties on the 1st of October, and the salary is reflecting above is for 9 months.

Remuneration of Chief Finance Officer

Annual Remuneration	722,481	716,214
Bonus contract	84,812	119,369
Travel allowance	301,034	298,422
Contributions to UIF, Medical and Pension Funds	90,310	89,407
Cellphone allowance	30,720	27,000
Subsistance allowance	22,739	9,502
Housing allowance	90,310	89,407
Leave encashment	45,216	45,216
Backpay	45,706	-
	1,433,328	**1,394,537**

Remuneration of Infrastructure and Engineering Manager

Annual Remuneration	601,574	650,938
Bonus contract	77,082	108,489
Travel allowance	250,655	271,224
Contributions to UIF, Medical and Pension Funds	99,722	108,490
Cellphone allowance	28,160	27,000
Subsistance allowance	19,097	5,814
Housing allowance	49,861	54,245
Leave encashment	87,675	41,094
Backpay	43,394	-

Figures in Rand	2023	2022

29. Employee related costs (continued)

	1,257,220	**1,267,294**

Remuneration of Corporate Services Manager

Annual Remuneration	643,450	625,869
Bonus contract	75,534	-
Travel allowance	268,104	265,779
Contributions to UIF, Medical and Pension Funds	160,863	159,467
Cellphone allowance	30,720	27,000
Subsistance allowance	14,690	1,226
Acting allowance	48,395	29,959
Leave encashment	40,270	-
Backpay	42,931	-
	1,324,957	**1,109,300**

Remuneration of Community and Social Services Manager

Annual Remuneration	573,879	426,676
Travel allowance	239,116	177,782
Contributions to UIF, Medical and Pension Funds	143,470	106,669
Cellphone allowance	30,720	20,250
Subsistance allowance	4,017	3,494
Leave encashment	-	53,215
Backpay	31,848	6,458
	1,023,050	**794,544**

Remuneration of Strategic Planning and Development Manager

Annual Remuneration	400,692	-
Travel allowance	166,955	-
Contributions to UIF, Medical and Pension Funds	100,173	-
Cellphone allowance	23,040	-
Subsistance allowance	9,055	-
Leave encashment	57,540	-
Backpay	2,200	-
	759,655	**-**

30. Remuneration of councillors

Executive Major	898,395	906,035
Deputy Executive Mayor	688,322	674,789
Mayoral Committee Members	2,932,868	2,525,937
Speaker	688,588	707,727
Councillors	7,244,063	8,346,531
Councillors' travel allowance	1,601,228	2,191,770
Councillors' pension fund contribution	1,125,227	573,422
Councillors' medical aid contribution	67,956	51,197
Councillors' cellphone allowance	1,565,171	1,043,800
Chief whip	624,229	494,561
	17,436,047	**17,515,769**

Figures in Rand	2023	2022

30. Remuneration of councillors (continued)

Additional information

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

Ward Committee details:
-The municipality has 220 ward committees
-The ward committee stipent is disclosed in note 35 under general expenses

in-kind benefits:

The Mayor has a fixed contract secretary and driver.
The Deputy Mayor is sharing the same secretary with the Mayor.
The Speaker's office has a full time secretary.

Number of Employees:

The number of councillors is 43 and the number of employees as at 30 June 2023 was 274 (June 2022 : 265).

31. Bad debts written off

Bad debts written off	2,011,077	695,022

32. Depreciation and amortisation

Property, plant and equipment	44,350,843	41,341,968
Investment property	30,173	30,173
Intangible assets	280,950	599,360
	44,661,966	**41,971,501**

33. Finance costs

Landfill site provision	-	1,178,669
Actuarial interest	1,188,442	1,086,459
Other interest paid	12,658,291	-
	13,846,733	**2,265,128**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

34. Contracted services

Outsourced Services		
Administrative and Support Staff	119,500	135,800
Accounting and auditing	168,116	625,855
Subject matter training	155,406	33,370
Burial Services	329,764	213,755
Catering Services	5,088,632	4,036,486
Business and financial management	453,633	204,033
Cleaning Services	1,661,528	1,335,385
First aid	9,639	-
Occupational health and safety	306,914	290,348
Litter Picking and Street Cleaning	-	579,436
Legal advise and litigations	3,694,717	873,110
Audio- visual services	385,600	735,380
Repairs and maintenance	19,756,872	10,522,093
Personnel and Labour (Casuals)	1,263,576	1,214,400
Business and Advisory:Human Resources	792,599	993,993
Qualification verification	60,928	52,769
Town planner	599,353	15,500
Research and advisory	986,178	3,765,866
Security Services	10,442,466	9,067,912
Attributable construction contract cost	7,170,989	3,899,585
Project management	4,962,045	3,047,460
Transport Services	45,000	-
Commissions and committees	100,926	48,061
Valuer	1,098,705	63,012
	59,653,086	**41,753,609**

The prior year Contracted services have been reclassified, since in the previous year the case ware charts were not enough to list all of them, and we bundles most of them, but we have not managed to unbundle them accordingly

35. Transfer and subsidies

Bursaries (non- employees)	330,000	590,000
Bursaries cash transfers (non- employees)	-	166,000
	330,000	**756,000**

36. Assets write-offs

Intangible assets	28,521	44,991
Computer equipment	41,630	44,990
Furniture and office equipment	10,160	-
Machinery	-	1,820,640
Transport	-	19,986
Community assets	-	3,602,545
	80,311	**5,533,152**

37. Debt impairment

Debt impairments		
non specific accounts	307,400	456,500
Property rates	130,233	543,720
Waste management	585,861	1,128,702
	1,023,494	**2,128,922**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

38. General expenses

External audit fees	3,252,286	1,833,878
Advertising	3,338,965	2,599,105
Bank charges	54,722	132,551
Electricity	10,334,756	10,050,057
Fines and penalties	-	246,769
Equipment hire	716,541	399,970
Insurance	2,899,972	2,563,921
IT expenses	8,123,896	7,577,520
Skills Development Levy	1,111,429	1,056,998
Artists and perfomances	1,175,707	911,400
Motor vehicle expenses	444,652	468,205
Material and suppliers	3,616,736	1,572,757
Fuel and oil	7,214,161	4,810,586
Postage and courier	16,522	14,243
Printing and stationery	1,389,374	1,209,490
Subscriptions and membership fees	1,520,010	1,348,418
Telephone and fax	3,044,190	2,840,121
Transport and freight	690,130	490,634
Travel - local	3,853,852	3,209,988
Assets expensed	507,110	280,804
Water	197,505	264,397
Uniforms	1,908,512	1,462,259
Workman's compansation	531,981	442,768
Ward committee stipent	2,673,500	1,798,780
Office decorations	42,553	46,035
Servitudes and land survey	1,658,713	1,440,609
Archievements and awards	485,700	564,995
Workshops and events	963,260	934,682
Travel agency and visa	275,877	306,440
Learnerships and internships	501,000	222,000
Archives	64,908	88,513
	62,608,520	**51,188,893**

39. Impairment reversal

Impair reversal		
Impairment loss reversal on community assets	11,364,487	-

40. Operating surplus

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

Operating lease charges		
Equipment		
• Contractual amounts	383,918	476,092

Amortisation on intangible assets	280,950	599,360
Depreciation on property, plant and equipment	44,350,843	41,341,968
Depreciation on investment property	30,173	30,173
Employee costs	139,437,200	131,506,653

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

41. Cash generated from operations

Surplus	16,629,153	30,891,014
Adjustments for:		
Depreciation and amortisation	44,661,966	41,971,501
Impairment reversal	(11,364,487)	-
Gain on disposal of asset	(1,161,797)	(3,130)
Assets write-offs	80,312	2,569,995
Finance costs	-	2,265,128
Prepayments	-	(577,913)
Bad debts written off	2,011,077	695,022
Debt impairment	1,023,494	-
Movements in retirement benefit assets and liabilities	(30,773)	-
Movements in provisions	12,658,290	-
Interest income	-	(3,478,124)
Non-cash backpay	196,666	-
Actuarial loss	743,481	-
Interest (trading)	-	(340,224)
Donations	(2,986,000)	(225,000)
Proceeds on disposals	-	10,271,743
Changes in working capital:		
Receivables from exchange transactions	(1,089,301)	(1,096,016)
Other receivables from non-exchange transactions	70,091	-
Payables from exchange transactions	1,579,020	4,097,460
VAT	(3,581,284)	-
Unspent conditional grants and receipts	(32,707,086)	(11,000,018)
Unspent Agent funds	-	10,091,477
Movement in leave provision	828,466	(535,767)
	27,561,288	**85,597,148**

42. Contingent liabilities

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	238,910	120,000
Municipal investigations and employee disputes	150,000	150,000
Contractual disputes	193,414	120,000
Review of building plan disapproved	130,208	65,000
PIE application	80,000	80,000
Action of damages	98,315	91,500
	890,847	**626,500**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

43. Commitments

43.1 Authorised capital expenditure

Already contracted for but not provided for		
• Buildings	207,000	207,000
• Community assets	106,835,040	29,363,914
• Infrastructure assets	33,111,379	26,710,666
	140,153,419	**56,281,580**
Total capital commitments		
Already contracted for but not provided for	140,153,419	56,281,580

Community assets: The increase on the commitments is due to the change of scope for Harry Gwala sports center due to Department of sports changing the scope of the project.
The amounts of commitments include VAT.

43.2 Operating leases - as lessee (expense)

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

43.3 Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	2,198,659	1,931,068
- in second to fifth year inclusive	4,309,971	3,700,938
- later than five years	17,440,850	17,466,696
	23,949,480	**23,098,702**

The municipality leases vacant land to 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 CPI index, rounding of to the nearest rand, which the escalation will be effective on the commencement date every year. The Rhino centre has 10% of the net rentals 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 smoothed over the period of the lease.

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

44. Risk management

44.1 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.

Financial assets		
Petty cash	1,089	159
Bank balances	2,660,333	6,179,237
Short-term deposits	181,314,670	176,546,366
Receivables from exchange transactions	3,668,171	2,578,870
Receivables from non-exchange transactions	2,489,586	2,559,677
	190,133,849	**187,864,309**
Financial liabilities		
Payables from exchange transactions	32,582,285	31,003,265
Unspent conditional grants and receipts	1,465,270	34,172,356
	34,047,555	**65,175,621**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

44. Risk management (continued)

44.2 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.

Payables from exchange transactions	32,582,285	31,003,265

44.3 interest rate risk

nterest 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.

Balance exposed to the interest rate risk:		
Bank balances	2,660,333	6,179,237
Short-term deposits	181,314,670	176,546,366
	183,975,003	**182,725,603**

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		
Receivables from exchange transactions	3,668,171	2,578,870
Receivables from non-exchange transactions	2,489,586	2,559,677
	6,157,757	**5,138,547**

Past due but not impaired		
Receivables from exchange past due not impaired	615,704	368,567
Receivables from non-exchange transactions	2,199,735	2,559,677
	2,815,439	**2,928,244**

45. Fruitless and wasteful expenditure

Opening balance as previously reported	246,769	-
Add: Fruitless and wasteful expenditure identified - current	-	246,769
Less: Amount written off - prior period	(246,769)	-
Closing balance	**-**	**246,769**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

46. Irregular expenditure

Opening balance as previously reported	3,530,089	4,780,952
Add: Irregular expenditure - current	-	14,455,960
Add: Irregular expenditure - prior period	19,074,607	11,402,325
Less: Amount written off - current	-	(10,925,871)
Less: Amount written off - prior period	(22,604,696)	(16,183,277)
Closing balance	**-**	**3,530,089**

47. Unauthorised expenditure

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

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,434,733	1,313,470
Amount paid - current year	(1,434,733)	(1,313,470)
	-	-

Audit fees

Current year subscription / fee	3,252,286	1,833,878
Amount paid - current year	(3,252,286)	(1,833,878)
	-	-

PAYE and UIF

Current year subscription / fee	18,539,863	17,853,913
Amount paid - current year	(18,539,863)	(17,853,913)
	-	-

VAT

VAT receivable	8,979,570	5,398,286

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

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

49. Related parties

Related party balances

Councillors- in arrears more than 90 days

Councillor N, Jaca had an outstanding balance of R4 174.03 as at 30 June 2023.

Section 57 employees		
Remuneration paid	6,638,273	5,981,732

The detailed section 57 employees cost break down is on note 29

Councillors		
Remuneration paid	17,950,919	17,515,769

Remuneration of councillors disclosed in note 30

Employee lease rentals		
K Dweba	17,343	18,105
T. Sondzaba	9,717	9,351
S. Maphumulo	2,400	2,400
S. Sosibo	2,400	2,400
TM Sikhosana	2,400	2,400
I Jokweni	2,400	2,400

Notes to the Annual Financial Statements

50. 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 **R22 373 267**

The Breakdown of these deviations is as follows:

- Appointment of service provider for Rural Electrification of ward 3, 15 and 19, where the municipality applied the SCM regulation 22 (2) as it was impractical to advertise for 21 days since the previous service provider was terminated due to poor performance. Therefore, it was urgent to the municipality to appoint a new service provider since the community was putting pressure as the works has already been started. The appointment value of the contract is **R8 903 880**

-The municipality appointed and did hand over to a certain service provider, that subsequently withdrew from the project. The municipality had to deviate due to the urgency, pressure from the community and fear to lose the grant funding. Appointment of service provider for surfacing of internal roads phase 5b in ward 16, with the appointment value of **R12 382 478.**

- The municipality was arm robbed by seven suspects and took batches of face values, laptops and municipal firearms. All office doors were broken, and strongroom were cut open during this incident. The following operations were suspended, registration and licensing of motor vehicles and all applications for driving licenses and permits were also suspended which it was a great demand to the community. The municipality had to deviate due to the urgency of the matter and the appointment of service provider for repairs and adding more safes and strong room door at traffic department was done for the value of for an amount of **R295 275.**
- The municipality appointed a service provider that failed to deliver the Calculators for Library programme and the municipality had to continue with the programme since it deals with the school children. The municipality had to deviate by sourcing quotations from the direct suppliers and at the value amount of **R279 822.81.**
- Other deviations bellow the value of **R200 000** with a total value of **R511 802**

The deviation register, together with the file will the reasons for deviations will be provided, also showing the list of the deviations bellow **R200 000**
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51. Events after the reporting date

There was one event after reporting date amounting to **R3 530 089**.

- The event was the write off for the irregular expenditured that was discovered in 2022 financial year to the value of R3 530 089, and it was investigated during 2023 financial year, and council took the decision to write it off in July 2023, which is between reporting date and date when the financial statements are authorized for issue.

52. Prior period errors

The covid grant was previously treated as unconditional grant following treasury's advise, however they have since with held the unspent potion on our equitable share. this therefore means that in the previous financial year the unspent grant was under spend by an amount of R32 574 941, and Covid 19 revenue recognised under state by an amount of R3 860 040

The doctor that was appointed as municipal doctor during the pandemic period, passed away after having done the work for the municipality, and he had not yet invoiced the municipality. the executer of the estate then claimed the invoice on the work that was done. this means that the Contracted services were understated by an amount of 320 850, and creditors accruals were also understated with the same amount.

the Nigel access road was capitalized in the previous financial years, only to find that there was still some work to be done on in the current financial year. This means that the property, plant, and equipment was understated by an amoun of R85 434, and the depreciation understated with an amount of 731, and also the creditors accruals were understated by R63 407.

The payments from department of transport for the month of May and June 2022 were only received in July, and were not accounted for in the 2022 financial statements, this resulted in Receivables from exchange transactions being understated by R5 516 and Agency services understated by the same amount.

The correction of the error(s) results in adjustments as follows:

	2023	2022
Statement of financial position		
Property, plant and equipment	-	85,434
Unspent conditional grants	-	32,574,941
Receivables from exchange transactions	-	5,516
Payables from exchange transactions	-	320,850
Payables from exchange transactions	-	63,407
Statement of financial performance		
Depreciation expense	-	731
Covid 19 grant	-	3,860,040
Agency fees	-	5,516
Contracted services	-	320,850

Statement of financial position	Previously Reported	Correction of Prior period errors	Restated
Unspent conditional grants	(1,597,415)	(32,574,941)	(34,172,356)
Receivables from exchange transactions	2,573,354	5,516	2,578,870
Payables from exchange transactions	(21,843,849)	(384,223)	(22,228,072)
Property, plant and equipment	534,313,324	85,435	534,398,759
	513,445,414	**(32,868,213)**	**480,577,201**

Statement of financial performance	Previously Reported	Correction of Prior period errors	Restated
Government grants & subsidies	275,028,856	3,860,040	278,888,896
Agency fees	1,401,794	5,516	1,407,310
Contracted services	37,854,025	320,850	38,174,875
	314,284,675	**4,186,406**	**318,471,081**

53. Budget differences

Material differences between budget and actual amounts

53. Budget differences (continued)

Budget vs Actual Variance Explanation 2022-2023

Revenue

Interest on Investment – the difference was due to funds that were not spent and those funds were sitting on 32 days call account which make an interest to be more than the budget by 6%.

Rental of Facilities and Equipment – Rhino revenue (rent on land) is based on 10% per income made by the retail shop as pe the contract. Therefore, funds received will always vary.

Interest received trading – The municipality realized low collection on Interest Receivable Waste Management in ward 16 than it anticipated on the budget due to write off and discount the municipality offered during the financial year.

Agency Services – Leaners license depend on application made, also Traffic department was closed for the whole month of February due to burglary, and June funds for vehicle registration has not been paid as end of the financial year by department of Transport.

Licenses and permits – The municipality decreased budget during adjustment budget due to circular 44853 however more business licenses were renewed as from January 2023.

Fines, Penalties and Forfeits – The community on R56 entered into an agreement with the municipality that the municipality will appoint a cowboy under EPWP, since then there were no cows impounded on R56 until the cowboy is appointed.

Donations – The municipality did not budget for donation in-kind of a moveable asset, and during the adjustment there were no value.

Other Revenue – The municipality has not received seta funds for skills development that was anticipated to be received in 22-23 financial year,
There were less tenders sold compared to what the municipality anticipated will generate revenue on.

Transfers and Subsidies – Capital – An amount of R20 million was gazette to be transfer to the municipality by the department of Sport and Recreation after a couple of engagement till the end of the financial year the allocation was not transferred due to there were miss-interpretation on the phases of the project (work in progress) and allocations since the project is also funded internally.

Gains on non-current assets disposal – The municipality released a more income on gains toward the end of the financial year due to a laptop that was procured by Infrastructure Manager at a value of R17 348.04.

Remuneration councilors – The savings realize on this item is due the death of ward 12 councilor and for the period of 3 month that position was vacant.

Bad Debts written off – The municipality revised discount offered resolution and increase percentage offered on discounts. There were more discounts offered during 22-23 when compared to previous years and also the number of indigents approved on property rates and refuse increased when compared to previous years meaning there were more write offs.

Depreciation and Asset impairment – There were projects that were estimated to be completed by 30 June 2023 but they were never completed. These projects were mostly in roads infrastructure which contributes significantly on annual depreciation. Therefore, depreciation that was budgeted for projects not completed could not be processed and that led to underspending on depreciation.

Lease Rental – The municipal realize savings on lease rental due to there were couple of issues with newly appointed service provider (Konilka Minolta) which was appointed in April 2023 and they loan the municipality temporally machines for the month of April and rental machine delivered in May since then there were no invoice received.

Contracted Services – the municipality realized the savings on contracted service due to the following:

Rehabilitation of Mankofu Dump Site - Geotechnical investigations took longer than its anticipated on the dumpsite. It was agreed that the consultant must submit the report first and thereafter the municipality will pay. Up until the end of 2023 financial

53. Budget differences (continued)
year there is no report received from the consultant.

Dumpsite Audit - There is a change of decision, where the municipality decides to attach this project to the consultant for rehabilitation where there will be more savings than to appoint a new consultant for dumpsite audit.

Catering – The savings realized on catering is due to the implementation of cost containment policy, also where the municipality collaborates with other departments to the events (HIV and AIDS and TB) those departments take responsibility for catering.

Ebuta Planning & survey – The contract has been terminated due to the poor performance of the service provider. This project will continue in 2023-2024 once a suitable service provider has been appointed.
Ebezweni Planning & survey – The project experienced some challenges relating to land claim which negatively affected the progress of the project.

Repairs and Maintenance – The following projects: Marhewini Sportfield, Rietvlei Sportfield, Delamzi Sportfield, Mzwandile Mhlawuli Sportfield, Ward 17 Sportfield, Ntsikeni Sport fields and Qondokuhle Ward 6 Community Hall did not spent during the financial year due to re-advertising as the suppliers did not meet the SCM requirements and on a re-advert all successfully suppliers they did not submit invoices to the municipality till the end of the financial year.

Repairs on Bridges Structure Emergency – The were no emergency reported during 2022-2023

External Facilities - Street Lights and High Master – These projects will be spent in 2023-2024 financial year due to late appointment of the service providers.

Road Maintenance Internally – The contract for back-up plant expired on April 2023 and the Advert for new service provider was issued during Q3 and tender closes on the 31st of March 2023 unfortunately service providers did not meet the require SCM Compliances and the functionality in terms of the evaluation processes and it was then taken back to re-advert.

Maintenance of Refuse Site - The fixing of the palisade fencing was not done due to alien species that need to be removed along the fence.

Impairment Loss – The time municipality was preparing the budget did not anticipate that discounts offered percentage will increase as one of the mechanisms on debt control. Also, there were indigent applicants approved for the first time. That resulted on more write offs that decrease the debt therefore, impairment was less.

General Expenses – the municipality realized the savings on general expenses due to the following:

Printing Publications and Books - This project was advertised and SIMADRIC Construction was awarded with the tender and he accepted, after a couple of time trying to reach him, he was nowhere to be found and on the last month of the financial year (June) he sent a letter declining the tender.

Contract for IT DR Recovery Hosting expired on the 31st of March 2023, the municipality couldn't advertise due to the fact that we were still considering adding these services to the existing service provider (Munsoft) that have contract with the municipaility since they also have a schedule of such services and the municipality experiencing delays in signing the agreement.

Hire Charges – The municipality realized savings on this item due to most of activities were held at municipal facilities (Halls).

I**ntegrated National Electrification Programme** – There had been a poor performance which resulted to a termination (14 June 2022) of a contractor (Suryalite Electrical CC) and the second contractor has had delayed due to incorrect meter specifications as per Eskom requirement and delays due to the supplier having a lead time of up to 12 Weeks.

Capital Expenditure

Internal Generated fund – Less expenditure because of the following:

Traffic Trailer – This project was re-advertised due to service providers did not meet SCM compliance.

Transport Assets – The municipality did not procure these assets as a result of shortage of stock to the supplier which is Toyota South Africa, and this was communicated in the last quarter of the financial year. One of the main reasons to this

53. Budget differences (continued)

shortage is the floods happened in April 2022.

Installation of Street Light (CBD) – About 50% spent on this project and remainder will be spent in 2023-2024 financial year.

HG Regional Multipurpose SportsCenter – This project had a budget of R40 million funded (R20 million internally and R20million DSAC grant) and only internal funds were utilized since the municipality did not receive a grant from Department of Sport Art and Culture.

54. Segment information

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

54. Segment information (continued)

Segment revenue	Community and public safety	Economic and environmental services	Trading services	Unallocated	Total
External revenue from non-exchange transactions	27,889,248	165,602,828	2,684,783	105,835,589	302,012,448
External revenue from exchange transactions	1,257,966	7,361,865	3,525,627	15,143,066	27,288,524
	29,147,214	**172,964,693**	**6,210,410**	**120,978,655**	**329,300,972**
Segment expenses					
Total segment expenses	(44,171,741)	(87,432,408)	(12,679,458)	(135,090,734)	(279,374,341)
Depreciation and amorisation	(6,835,679)	(33,947,112)	(602,259)	(3,276,916)	(44,661,966)
	(51,007,420)	**(121,379,520)**	**(13,281,717)**	**(138,367,650)**	**(324,036,307)**
Surplus/deficit for the year	(21,860,206)	51,585,173	(7,071,307)	(17,388,994)	5,264,666
Other information	283,638,538	386,326,989	6,413,802	148,712,025	825,091,354
Segment assets	13,540,366	96,206,788	233,142	(160,623,516)	(50,643,220)
Additions to non- current assets	50,100,788	88,971,538	11,278,175	1,446,242	151,796,743
Non- cash expenses	(6,835,679)	(33,947,112)	(1,740,495)	(4,149,757)	(46,673,043)
	-	-	-	-	-