



Umsobomvu Local Municipality
Annual Financial Statements
for the year ended 30 June 2022

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Legal form of entity	A municipality, which is an organ of state within the local sphere of government exercising legislative and executive authority.
Nature of business and principal activities	A local authority providing municipal services and maintaining the best interest of the community in the Umsobomvu municipal area.
Members of council	
Mayor	MS Toto
Councillors	VP Harmse W Minnie ND Stafa JP Mathee GMH Douw B Mangaliso L Tyindyi NS Mlungwana SA Yabo L Zakhe T Matebese AP Poyo NG Mgcineni (resigned 24 November 2021) T Lamani (resigned 24 November 2021)
Previous members not re-elected	NJ Batties SK Brown CM William SE Humphries MR Kafi MA Sestile
Grading of local authority	Grade 2
Chief financial officer	TD Tshikundu (resigned 30 June 2022) N Thiso (acting)
Accounting officer	AC Mpela
Business address	21A Church Street Colesberg Northern Cape 9795
Postal address	Private Bag X6 Colesberg Northern Cape 9795
Bankers	ABSA Bank Limited Standard Bank of South Africa Limited First National Bank Limited
Telephone Number	(051) 753 0777
Fax number	(051) 753 0574
Website	www.umsobomvumun.co.za

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

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

The annual financial statements set out on pages 6 to 83, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

AC Mpela
Accounting officer

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2022.

1. Review of activities

Main business and operations

The municipality is engaged in a local authority providing municipal services and maintaining the best interest of the community in the Umsobomvu municipal area.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment. Net deficit of the municipality was R 14 948 743 (2021: surplus R 21 844 794).

2. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 511 841 757 and that the municipality's total assets exceed its liabilities by R 511 841 757. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the government will continue to fund the operations of the municipality through the provision of the equitable share, additionally the accounting officer will continue to tightly manage the cash flow of the municipality and where necessary procure funding for the ongoing operations of the municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting officer's interest in contracts

The accounting officer had no interest in any contracts.

5. Accounting policies

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

6. Non-current assets

There were no changes in the nature of the non-current assets of the municipality during the year.

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

Internal audit

The municipality has outsourced its internal audit function to the Pixley-ka-Seme District Municipality. This is in compliance with the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

8. Bankers

The municipality's bankers did not change during the year.

9. Auditors

Auditor General of South Africa (AGSA) will continue in office for the next financial period.

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note	2022	2021
Assets			
Current Assets			
Inventories	3	421 189	405 268
Other debtors from exchange transactions	4	8 836 857	8 176 678
Receivables from exchange transactions	5	40 149 585	57 025 186
Receivables from non-exchange transactions	5	9 377 321	2 117 223
Statutory receivables from non-exchange transactions	6	20 086 237	14 654 418
Receivables from availability charges		2 894 542	2 554 982
Cash and cash equivalents	7	1 966 494	2 800 998
		83 732 225	87 734 753
Non-Current Assets			
Investment property	8	16 698 999	16 698 999
Property, plant and equipment	9	501 348 069	508 666 916
Intangible assets	10	44 484	64 816
Operating lease asset		-	274
		518 091 552	525 431 005
Total Assets		601 823 777	613 165 758
Liabilities			
Current Liabilities			
Finance lease obligation	11	716 167	651 924
Payables from exchange transactions	12	45 178 263	36 309 493
Payables from non-exchange transactions	13	147 946	977 943
VAT payable	14	11 476 927	13 728 194
Consumer deposits	15	708 638	745 124
Employee benefit obligation	16	772 000	708 000
Unspent conditional grants and receipts	17	6 752 681	11 545 447
		65 752 622	64 666 125
Non-Current Liabilities			
Finance lease obligation	11	1 803 116	2 519 283
Employee benefit obligation	16	11 811 460	10 978 460
Provisions	18	10 614 822	8 211 388
		24 229 398	21 709 131
Total Liabilities		89 982 020	86 375 256
Net Assets		511 841 757	526 790 502
Accumulated surplus		511 841 757	526 790 502

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Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note	2022	2021
Revenue			
Revenue from exchange transactions			
Service charges	19	69 929 595	61 654 660
Rental of facilities and equipment	20	106 131	23 457
Agency services	21	873 957	742 697
Other income	22	1 164 135	964 491
Interest received	23	14 684 252	6 277 516
Fair value adjustments		-	4 554 100
Total revenue from exchange transactions		86 758 070	74 216 921
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	15 393 349	14 389 004
Availability charges	25	368 990	347 115
Transfer revenue			
Government grants and subsidies	26	84 370 466	86 864 096
Fines, penalties and forfeits	27	29 341 517	20 789 543
Public contributions and donations	28	-	7 688 112
Total revenue from non-exchange transactions		129 474 322	130 077 870
Total revenue		216 232 392	204 294 791
Expenditure			
Employee related costs	29	(56 916 159)	(56 729 144)
Remuneration of councillors	30	(4 738 864)	(3 996 005)
Repairs and maintenance	31	(4 063 867)	(3 503 633)
Depreciation and amortisation	32	(26 757 310)	(29 515 831)
Impairment loss	33	(290 598)	-
Finance costs	34	(2 961 991)	(2 094 091)
Debt impairment	35	(75 611 396)	(32 765 896)
Bulk purchases	36	(37 123 997)	(32 115 789)
Contracted services	37	(6 427 017)	(5 507 851)
Loss on disposal of assets and liabilities		(66 510)	-
General expenses	38	(12 239 471)	(12 272 769)
Auditors remuneration	39	(2 679 316)	(3 134 160)
Fines and penalties		(125 144)	(186 752)
Travel and subsistence		(1 179 495)	(548 963)
Total expenditure		(231 181 135)	(182 370 884)
(Deficit) surplus for the year		(14 948 743)	21 923 907

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	502 526 853	502 526 853
Adjustments		
Correction of errors (refer to Note 46)	2 339 742	2 339 742
Balance at 01 July 2020 as restated*	504 866 595	504 866 595
Changes in net assets		
Surplus for the year	21 923 907	21 923 907
Total changes	21 923 907	21 923 907
Balance at 01 July 2021	526 790 500	526 790 500
Changes in net assets		
Surplus for the year	(14 948 743)	(14 948 743)
Total changes	(14 948 743)	(14 948 743)
Balance at 30 June 2022	511 841 757	511 841 757

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Cash Flow Statement

Figures in Rand	Note	2022	2021
Cash flows from operating activities			
Receipts			
Sale of goods and services		51 945 152	63 360 949
Government grant and subsidies		79 577 700	78 540 000
Interest income		-	6 277 516
		<u>131 522 852</u>	<u>148 178 465</u>
Payments			
Employee costs		(62 219 726)	(59 907 953)
Finance costs		-	(1 750 793)
Suppliers paid		(50 122 699)	(56 643 300)
		<u>(112 342 425)</u>	<u>(118 302 046)</u>
Net cash flows from operating activities	40	<u>19 180 427</u>	<u>29 876 419</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(19 091 503)	(31 329 983)
Statutory receivables from non-exchange transactions		-	(2 554 982)
Net cash flows from investing activities		<u>(19 091 503)</u>	<u>(33 884 965)</u>
Cash flows from financing activities			
Repayment of borrowings		(923 426)	28 029
Net increase/(decrease) in cash and cash equivalents		<u>(834 502)</u>	<u>(3 980 517)</u>
Cash and cash equivalents at the beginning of the year		2 800 998	6 781 515
Cash and cash equivalents at the end of the year	7	<u>1 966 496</u>	<u>2 800 998</u>

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Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	81 563 000	(7 530 000)	74 033 000	69 929 595	(4 103 405)	
Rental of facilities and equipment	54 000	5 000	59 000	106 131	47 131	Note 53
Agency services	309 000	(309 000)	-	873 957	873 957	Note 53
Licences and permits	547 000	1 000	548 000	-	(548 000)	Note 53
Other income	9 592 000	55 000	9 647 000	1 164 135	(8 482 865)	Note 53
Interest received	11 004 000	5 177 000	16 181 000	14 684 252	(1 496 748)	
Total revenue from exchange transactions	103 069 000	(2 601 000)	100 468 000	86 758 070	(13 709 930)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	15 749 000	2 386 000	18 135 000	15 393 349	(2 741 651)	Note 53
Availability charges	-	-	-	368 990	368 990	Note 53
Transfer revenue						
Government grants and subsidies	61 129 000	(100 000)	61 029 000	84 370 466	23 341 466	
Fines, penalties and forfeits	23 190 000	-	23 190 000	29 341 517	6 151 517	Note 53
Total revenue from non-exchange transactions	100 068 000	2 286 000	102 354 000	129 474 322	27 120 322	
Total revenue	203 137 000	(315 000)	202 822 000	216 232 392	13 410 392	
Expenditure						
Employee related costs	(58 243 449)	(4 738 551)	(62 982 000)	(56 916 159)	6 065 841	
Remuneration of councillors	(5 437 000)	(21 000)	(5 458 000)	(4 738 864)	719 136	Note 53
Depreciation and amortisation	(32 183 000)	-	(32 183 000)	(26 757 310)	5 425 690	Note 53
Impairment loss	-	-	-	(290 598)	(290 598)	Note 53
Finance costs	(1 350 000)	-	(1 350 000)	(2 961 991)	(1 611 991)	Note 53
Debt impairment	(23 863 982)	(18)	(23 864 000)	(75 611 396)	(51 747 396)	
Bulk purchases	(37 919 000)	-	(37 919 000)	(37 123 997)	795 003	
Loss on disposal of assets	-	-	-	(66 510)	(66 510)	Note 53
Inventory consumed	(2 141 000)	(1 919 000)	(4 060 000)	-	4 060 000	
Contracted services	(13 312 000)	(993 000)	(14 305 000)	(6 427 017)	7 877 983	Note 53
General expenses	(27 625 000)	697 000	(26 928 000)	(16 303 338)	10 624 662	Note 53
Auditors remuneration	-	-	-	(2 679 316)	(2 679 316)	Note 53
Fines and penalties	-	-	-	(125 144)	(125 144)	Note 53
Travel and subsistence	-	-	-	(1 179 495)	(1 179 495)	Note 53
Total expenditure	(202 074 431)	(6 974 569)	(209 049 000)	(231 181 135)	(22 132 135)	
Deficit before taxation	1 062 569	(7 289 569)	(6 227 000)	(14 948 743)	(8 721 743)	
Transfers and subsidies - Capital	(18 293 000)	-	(18 293 000)	-	18 293 000	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3 780 000	(7 435 000)	(3 655 000)	421 189	4 076 189	Note 53
Call investments	-	275 000	275 000	-	(275 000)	
Other debtors from exchange transactions	(23 864 000)	26 976 000	3 112 000	8 836 857	5 724 857	Note 53
Consumer debtors	13 839 000	71 042 000	84 881 000	49 526 906	(35 354 094)	Note 53
Statutory receivables from non-exchange transactions	-	-	-	20 086 237	20 086 237	Note 53
Receivables from availability charges	-	-	-	2 894 542	2 894 542	
Current portion of long term receivables	-	(1 000)	(1 000)	-	1 000	
Cash and cash equivalents	(17 147 000)	10 733 000	(6 414 000)	1 966 494	8 380 494	Note 53
	(23 392 000)	101 590 000	78 198 000	83 732 225	5 534 225	
Non-Current Assets						
Investment property	-	16 699 000	16 699 000	16 698 999	(1)	
Property, plant and equipment	(10 606 000)	491 374 000	480 768 000	501 348 069	20 580 069	
Intangible assets	(99 000)	65 000	(34 000)	44 484	78 484	Note 53
	(10 705 000)	508 138 000	497 433 000	518 091 552	20 658 552	
Total Assets	(34 097 000)	609 728 000	575 631 000	601 823 777	26 192 777	
Liabilities						
Current Liabilities						
Finance lease obligation	-	3 178 000	3 178 000	716 167	(2 461 833)	Note 53
Payables from exchange transactions	2 847 000	38 445 000	41 292 000	45 178 263	3 886 263	
Payables from non-exchange transactions	-	-	-	147 946	147 946	Note 53
VAT payable	-	-	-	11 476 927	11 476 927	Note 53
Consumer deposits	-	785 000	785 000	708 638	(76 362)	
Employee benefit obligation	2 174 000	10 577 000	12 751 000	772 000	(11 979 000)	Note 53
Unspent conditional grants and receipts	-	-	-	6 752 681	6 752 681	Note 53
	5 021 000	52 985 000	58 006 000	65 752 622	7 746 622	
Non-Current Liabilities						
Finance lease obligation	-	-	-	1 803 116	1 803 116	Note 53
Employee benefit obligation	-	5 907 000	5 907 000	11 811 460	5 904 460	Note 53
Provisions	-	-	-	10 614 822	10 614 822	Note 53
	-	5 907 000	5 907 000	24 229 398	18 322 398	
Total Liabilities	5 021 000	58 892 000	63 913 000	89 982 020	26 069 020	
Net Assets	(39 118 000)	550 836 000	511 718 000	511 841 757	123 757	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Reserves						
Accumulated surplus	(39 118 000)	550 577 000	511 459 000	511 841 757	382 757	Note 53
	(39 118 000)	550 577 000	511 459 000	511 841 757	382 757	
Reserves	-	259 000	259 000	-	(259 000)	
Total Net Assets	(39 118 000)	550 836 000	511 718 000	511 841 757	123 757	

Umsobomvu Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	123 530 848	(9 178 248)	114 352 600	55 870 971	(58 481 629)	Note 53
Government grants and subsidies	79 422 000	(100 000)	79 322 000	79 577 700	255 700	
Interest income	155 000	-	155 000	128 041	(26 959)	Note 53
	203 107 848	(9 278 248)	193 829 600	135 576 712	(58 252 888)	
Payments						
Suppliers and employee cost	(146 568 000)	(2 910 000)	(149 478 000)	(115 527 631)	33 950 369	Note 53
Finance costs	(1 350 000)	-	(1 350 000)	(569 874)	780 126	Note 53
	(147 918 000)	(2 910 000)	(150 828 000)	(116 097 505)	34 730 495	
Net cash flows from operating activities	55 189 848	(12 188 248)	43 001 600	19 479 207	(23 522 393)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(21 477 650)	(1 431 000)	(22 908 650)	(19 775 239)	3 133 411	Note 53
Cash flows from financing activities						
Finance lease payments	-	-	-	(923 426)	(923 426)	Note 53
Net increase/(decrease) in cash and cash equivalents	33 712 198	(13 619 248)	20 092 950	(1 219 458)	(20 562 477)	Note 53
Cash and cash equivalents at the beginning of the year	(17 148 000)	11 009 000	(6 139 000)	2 800 999	8 939 999	
Cash and cash equivalents at the end of the year	16 564 198	(2 610 248)	13 953 950	1 581 541	(11 622 478)	

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Annual Financial Statements for the year ended 30 June 2022

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, 2003 (Act No. 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.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and loans and receivables

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

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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.

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 18 - Provisions.

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

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 16 - Employee benefit obligation.

Effective interest rate

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

Allowance for doubtful debts

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

1.4 Investment property

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

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

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

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

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

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

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

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Accounting Policies

1.4 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. 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.

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1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Buildings	Straight line	20 - 25 years
Roads and paving	Straight line	10 - 15 years
Electricity	Straight line	5 - 50 years
Water	Straight line	15 - 100 years
Sewerage	Straight line	15 - 60 years
Landfill sites	Straight line	23 - 25 years
Recreational facilities	Straight line	20 - 25 years
Security measures	Straight line	20 - 25 years
Specialist vehicles	Straight line	1 - 5 years
Other vehicles	Straight line	1 - 5 years
Office equipment	Straight line	3 - 7 years
Furniture and fittings	Straight line	7 - 10 years
Plant and equipment	Straight line	2 - 10 years

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

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

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

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

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

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.

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Accounting Policies

1.5 Property, plant and equipment (continued)

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 29 - Repairs and maintenance).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8 - Property, plant and equipment).

1.6 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight line	3 - Indefinite
Website	Straight line	5 years

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Accounting Policies

1.7 Statutory receivables

Identification

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

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

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

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.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

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.

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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1.7 Statutory receivables (continued)

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

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 either directly or 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 entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

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

1.8 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

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1.8 Leases (continued)

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

1.9 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

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

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

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

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

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs 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 amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

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1.10 Impairment of cash-generating assets (continued)

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

Identification

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

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

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

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.11 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.

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.

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

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

Recoverable 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.

Identification

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

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

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

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.

1.12 Employee benefits

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

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

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

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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1.12 Employee benefits (continued)

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

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Accounting Policies

1.12 Employee benefits (continued)

Multi-employer plans

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

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

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

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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Accounting Policies

1.12 Employee benefits (continued)

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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Accounting Policies

1.12 Employee benefits (continued)

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

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Accounting Policies

1.12 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

Umsobomvu Local Municipality

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Accounting Policies

1.13 Provisions and contingencies (continued)

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

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

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

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 surplus.

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

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

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

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

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.13 Provisions and contingencies (continued)

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

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

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly 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; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- 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;
- 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 reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.14 Commitments

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.

1.15 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Umsobomvu Local Municipality

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Accounting Policies

1.15 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.16 Revenue from non-exchange transactions

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

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

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

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

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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

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

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

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.

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

Recognition

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

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

Umsobomvu Local Municipality

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Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Measurement

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

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

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.17 Investment income

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

1.18 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.

1.19 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

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Accounting Policies

1.19 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.20 Comparative figures

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

1.21 Unauthorised expenditure

Unauthorised expenditure means:

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

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

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Accounting Policies

1.22 Fruitless and wasteful expenditure

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

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

1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

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

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

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

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

1.24 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.

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1.25 Budget information

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

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

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

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

The budget for the economic entity includes all the entities approved budgets under its control.

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.

1.26 Related parties

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

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

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

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

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

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

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

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

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

1.27 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).

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.27 Events after reporting date (continued)

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

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

1.28 Capital commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the Statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific Standard of GRAP;
- Approved but not yet contracted commitments, where expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date;
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources; or
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">The Application of Standards of GRAP by Public Entities that Apply IFRS® Standards	01 April 2022	Unlikely there will be a material impact
<ul style="list-style-type: none">iGRAP 21 on the effect of past decisions on materiality	01 April 2022	Unlikely there will be a material impact

3. Inventories

Water	50 889	34 968
Property stock	370 300	370 300
	421 189	405 268

Inventories are held for own use and measured at the lower of cost or current replacement value.

The cost of water production for the year amounted to R5.94 (2021: R3.38) per kilolitre.

Inventory pledged as security

No inventory was pledged as security for overdraft facilities of the municipality.

4. Other debtors from exchange transactions

Eskom deposits	1 591 283	1 307 886
Under (over) banking	6 380 974	5 136 438
Sundry debtors	864 600	1 324 310
Payments made in advance	-	408 044
	8 836 857	8 176 678

None of the other receivables from exchange transactions have been pledged as security for the municipality's financial liabilities.

Credit quality of other debtors from exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Other debtors from exchange transactions

Fair value of other debtors from exchange transactions

Management is of the opinion that the carrying value of the other receivables from non-exchange transactions recorded at amortised cost in the financial statements approximate their fair values.

Other debtors from exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R - (2021: R -) were past due but not impaired.

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
5. Consumer debtors		
Consumer debtors included in receivables from exchange transactions		
Electricity	160 298	7 048 823
Water	19 182 997	23 226 123
Sewerage	(1 751 255)	13 030 272
Refuse	22 006 445	12 740 638
Other (exchange)	551 100	979 330
	40 149 585	57 025 186
Consumer debtors included in receivables from non-exchange transactions		
Receivables from non-exchange transactions	9 377 321	2 117 223
Consumer debtors included in statutory receivables		
Rates	14 933 219	11 223 398
	14 933 219	11 223 398
Gross balances		
Rates	33 744 917	28 284 753
Electricity	18 256 015	17 028 749
Water	94 552 509	90 615 310
Sewerage	52 259 423	47 096 536
Refuse	53 928 911	50 108 588
Other (exchange)	4 058 507	4 147 516
Other (non-exchange)	33 034 532	7 458 577
	289 834 814	244 740 029
Less: Allowance for impairment		
Rates	(18 811 698)	(17 061 355)
Electricity	(18 095 717)	(9 979 926)
Water	(75 369 512)	(67 389 187)
Sewerage	(54 010 678)	(34 066 264)
Refuse	(31 922 466)	(37 367 950)
Other (exchange)	(1 765 430)	(3 168 186)
Other (non-exchange)	(23 657 211)	(5 341 354)
	(223 632 712)	(174 374 222)
Net balance		
Rates	14 933 219	11 223 398
Electricity	160 298	7 048 823
Water	19 182 997	23 226 123
Sewerage	(1 751 255)	13 030 272
Refuse	22 006 445	12 740 638
Other (exchange)	2 293 077	979 330
Other (non-exchange)	9 377 321	2 117 223
	66 202 102	70 365 807

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
5. Consumer debtors (continued)		
Rates		
Current (0 -30 days)	-	46 510
31 - 60 days	729 789	2 100 782
61 - 90 days	260 075	245 793
91 - 120 days	235 216	215 254
121 - 365 days	(2 070 310)	1 915 053
> 365 days	15 778 449	6 700 006
	14 933 219	11 223 398
Electricity		
Current (0 -30 days)	-	66 978
31 - 60 days	2 031 312	1 242 313
61 - 90 days	388 135	445 007
91 - 120 days	556 196	373 504
121 - 365 days	(995 613)	2 041 487
> 365 days	(1 819 732)	2 879 534
	160 298	7 048 823
Water		
Current (0 -30 days)	-	1 330 625
31 - 60 days	443 721	457 065
61 - 90 days	392 272	455 028
91 - 120 days	320 782	344 549
121 - 365 days	3 457 632	3 017 970
> 365 days	14 568 590	17 620 886
	19 182 997	23 226 123
Sewerage		
Current (0 -30 days)	-	4 868
31 - 60 days	351 653	427 180
61 - 90 days	263 606	332 013
91 - 120 days	240 226	313 237
121 - 365 days	1 871 857	2 038 496
> 365 days	(4 478 597)	9 914 478
	(1 751 255)	13 030 272
Refuse		
Current (0 -30 days)	-	(31 540)
31 - 60 days	207 181	189 677
61 - 90 days	168 783	161 647
91 - 120 days	160 940	154 758
121 - 365 days	(2 235 505)	1 379 453
> 365 days	23 705 046	10 886 643
	22 006 445	12 740 638
Housing rental		
Current (0 -30 days)	(21 362)	4 313
31 - 60 days	13 748	6 286
61 - 90 days	10 303	3 743
91 - 120 days	10 303	1 402
121 - 365 days	8 951	19 902
> 365 days	2 271 134	943 684
	2 293 077	979 330

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
5. Consumer debtors (continued)		
Receivables from non-exchange transactions		
Current (0 -30 days)	(53 790)	262 480
31 - 60 days	1 281 920	279 908
61 - 90 days	1 268 146	277 421
91 - 120 days	1 255 543	274 566
121 - 365 days	1 246 639	(154 661)
> 365 days	4 378 863	1 177 509
	9 377 321	2 117 223
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	(4 682 120)	1 726 776
31 - 60 days	6 725 857	2 502 287
61 - 90 days	4 354 274	1 322 764
91 - 120 days	4 179 139	1 256 340
121 - 365 days	34 034 732	8 019 025
> 365 days	227 334 228	47 661 093
	271 946 110	62 488 285
Industrial/ commercial		
Current (0 -30 days)	(70 259)	6 548
31 - 60 days	1 475 465	242 905
61 - 90 days	376 838	27 221
91 - 120 days	791 455	26 717
121 - 365 days	2 697 325	148 167
> 365 days	2 225 147	296 434
	7 495 971	747 992
National and provincial government		
Current (0 -30 days)	(175 406)	(18 064)
31 - 60 days	1 339 336	1 958 019
61 - 90 days	932 570	570 669
91 - 120 days	680 749	394 213
121 - 365 days	3 292 085	2 090 518
> 365 days	6 987 049	4 720 596
	13 056 383	9 715 951
Total		
Current (0 -30 days)	(4 927 785)	(1 442 570)
31 - 60 days	9 540 658	9 148 025
61 - 90 days	5 663 682	5 080 011
91 - 120 days	5 651 344	4 838 951
121 - 365 days	40 024 143	31 019 946
> 365 days	236 546 424	198 650 648
	292 498 466	247 295 011
Less: Allowance for impairment	(226 296 364)	(176 929 204)
	66 202 102	70 365 807
Reconciliation of allowance for impairment		
Balance at beginning of the year	(174 374 222)	(152 504 902)
Contributions to allowance	(49 258 490)	(21 869 320)
	(223 632 712)	(174 374 222)

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
5. Consumer debtors (continued)		
Consumer debtors pledged as security		
None of the consumer debtors have been pledged as security for the municipality's financial liabilities.		
Credit quality of consumer debtors		
The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
In determining the recoverability of Consumer debtors, the municipality has pledged strong emphasis on verifying the indigent status of consumers. The provision for impairment in respect of the consumer debtors have been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the provision for impairment. Refer to details in the accounting policy for further details.		
Fair value of consumer debtors		
Management is of the opinion that the carrying value of the other receivables from non-exchange transactions recorded at amortised cost in the financial statements approximate their fair values.		
Consumer debtors past due but not impaired		
Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R - (2021: R 72 920 789) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	(5 002 937)	1 684 232
2 months past due	-	4 703 211
3 months past due	-	66 533 346
6. Statutory receivables from non-exchange transactions		
Gross balances		
Rates	33 744 917	28 284 753
Traffic fines	31 348 518	27 698 050
	65 093 435	55 982 803
Less: Allowance for impairment		
Rates	(19 094 308)	(17 061 355)
Traffic fines	(27 937 478)	(24 267 030)
	(47 031 786)	(41 328 385)
Net balance		
Rates	16 675 197	11 223 398
Traffic fines	3 411 040	3 431 020
	20 086 237	14 654 418
Traffic fines		
Current (0-30 days)	136 923	89 667
31-60 days	199 506	151 659
61-90 days	71 668	227 262
91-120 days	94 911	187 760
>120 days	2 908 032	2 774 672
	3 411 040	3 431 020

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
6. Statutory receivables from non-exchange transactions (continued)		
Reconciliation of allowance for traffic fines impairment		
Balance at beginning of the year	24 267 030	41 484 097
Unused amounts reversed	3 670 448	(17 217 067)
	27 937 478	24 267 030
Gross balances		
Availability charges	2 894 542	2 554 982
Less: Allowance for impairment		
Availability charges	(2 087 626)	(866 694)
Net balance		
Availability charges	806 916	1 688 288
Availability charges		
Current (0-30 days)	-	(75)
31-60 days	38 042	41 322
61-90 days	18 479	38 534
91-120 days	12 327	40 337
>120 days	738 068	1 568 171
	806 916	1 688 289
Reconciliation of allowance for availability charges impairment		
Provision for impairment	2 087 626	866 694
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	3 750	3 750
Bank balances	1 355 735	2 522 193
Short-term deposits	607 009	275 055
	1 966 494	2 800 998
Other Cash and Cash equivalents facilities		
The municipality held a fleet card facility at year-end		
Fleet card facility		
ABSA Bank	200 000	200 000
Cash and cash equivalents pledged as collateral		
A bank guarantee has been issued to Eskom	6 000	6 000
In addition to the above, the municipality has issued a bank guarantee in favour of Eskom for an increased electricity demand to 40 MVA required to meet the consumers' increasing electricity demand.		

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
ABSA - Current account - 2440000005	389 719	1 271 592	7 040 362	389 719	1 268 010	(10 534 325)
ABSA - Current account - 4052875289	545 405	1 028 117	63 675	4 045 405	1 028 117	15 962 748
Standard Bank- Current account - 280412835	314 244	117 265	176 907	314 244	117 265	(284 076)
ABSA - Current account - 4061642031	135 071	108 212	328 728	135 071	108 212	1 312 615
Standard Bank- Notice Deposit - 288901606001	83 637	83 637	83 637	83 637	83 637	83 637
Standard Bank- Notice Deposit - 28890541001	151 485	151 485	151 485	151 485	151 485	151 485
First National Bank - Notice Deposit - 741047295062	23 965	24 356	24 220	24 356	24 356	24 356
ABSA - Deposit Plus - 9355227534	347 320	16 166	70 169	347 531	16 166	70 169
Total	1 990 846	2 800 830	7 939 183	5 491 448	2 797 248	6 786 609

8. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	16 698 999	-	16 698 999	16 698 999	-	16 698 999

Reconciliation of investment property - 2022

	Opening balance	Total
Investment property	16 698 999	16 698 999

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustment	Total
Investment property	12 144 899	4 554 100	16 698 999

Pledged as security

All of the municipality's investment property is held under freehold interests and investment property had been pledged as security for any liabilities for the municipality.

There are no restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on investment property.

Details of property

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

8. Investment property (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) is available for inspection at the registered office of the municipality.

The following criteria was used to determine whether a property should be classified as an investment property:

- A building owned by the municipality and leased out to third parties under one or more operating leases.
- Land held for a current undeterminable future use.
- Property being constructed or developed for future use as investment property.

Amounts recognised in surplus or deficit

No repairs and maintenance was incurred in the running of these property for the financial year.

Maintenance by condition, nature and type of expenditure - corrective maintenance is in place. Maintenance is done as reported on.

Under construction and capital commitments

No investment property was under construction or incurred towards contractual commitments during the financial year.

9. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	33 889 098	-	33 889 098	33 889 098	-	33 889 098
Buildings	38 908 811	(18 061 371)	20 847 440	38 908 811	(17 005 794)	21 903 017
Infrastructure	1 006 791 760	(566 420 313)	440 371 447	987 099 313	(541 588 971)	445 510 342
Other property, plant and equipment	28 687 371	(22 447 287)	6 240 084	28 820 168	(21 455 709)	7 364 459
Total	1 108 277 040	(606 928 971)	501 348 069	1 088 717 390	(580 050 474)	508 666 916

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	33 889 098	-	-	-	-	33 889 098
Buildings	21 903 017	-	-	(1 055 577)	-	20 847 440
Infrastructure	445 510 342	19 692 173	-	(24 831 068)	-	440 371 447
Other property, plant and equipment	7 364 459	83 066	(66 510)	(850 333)	(290 598)	6 240 084
	508 666 916	19 775 239	(66 510)	(26 736 978)	(290 598)	501 348 069

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Total
Land	33 889 098	-	-	33 889 098
Buildings	22 965 053	-	(1 062 036)	21 903 017
Infrastructure	441 502 370	29 404 475	(25 396 503)	445 510 342
Other property, plant and equipment	8 463 886	1 925 508	(3 024 935)	7 364 459
	506 820 407	31 329 983	(29 483 474)	508 666 916

Pledged as security

None of the tangible assets were pledged as security during the current and previous financial years.

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Buildings	276 355	276 355
Infrastructure	33 582 023	39 647 248
	33 858 378	39 923 603

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

Noupoort electrification project	-	5 205 133
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Project development costs were incurred, but due to funding problems, the project was stopped. Project commenced in the current year and project no longer slow moving.

Upgrading of VIP's and bucket system to sewer network	-	4 981 111
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Project development costs were incurred, but due to funding problems, the projects was stopped. Project commenced in the current year and project no longer slow moving.

Van der Waltsfontein pipeline	-	334 991
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Project completion was delayed by Covid-19 pandemic.

Upgrading of Madikane and Nqandu Streets	-	12 812 835
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Project implementation was delayed due to the tender process.

	-	23 334 070
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Reconciliation of work-in-progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	39 647 248	276 355	39 923 603
Additions/capital expenditure	18 287 354	-	18 287 354
Transferred to completed items	(24 352 579)	-	(24 352 579)
	33 582 023	276 355	33 858 378

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

9. Property, plant and equipment (continued)

Reconciliation of work-in-progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	35 206 217	276 355	35 482 572
Additions/capital expenditure	20 005 362	-	20 005 362
Transferred to completed items	(15 564 331)	-	(15 564 331)
	39 647 248	276 355	39 923 603

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of financial performance

Infrastructure	1 564 809	2 531 116
Other property, plant and equipment	2 499 057	972 517
	4 063 866	3 503 633

10. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 042 345	(1 997 861)	44 484	2 042 345	(1 977 529)	64 816

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	64 816	(20 332)	44 484

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	97 175	(32 359)	64 816

Pledged as security

All of the municipality's intangible assets are held under freehold interests and no intangible assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the intangible assets of the municipality.

Other information

The municipality amortises all its intangible assets and no intangible assets are regarded as having indefinite useful lives. The amortisation expense has been included in the line item depreciation and amortisation in the Statement of financial performance. Amortisation is charged on a straight-line basis over the intangible assets' useful lives.

No impairment losses have been recognised on intangible assets at the reporting date.

Umsobomvu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
11. Finance lease obligation		
Minimum lease payments due		
- within one year	923 425	923 426
- in second to fifth year inclusive	2 000 757	2 924 183
	<u>2 924 182</u>	<u>3 847 609</u>
less: future finance charges	(404 899)	(676 402)
Present value of minimum lease payments	<u>2 519 283</u>	<u>3 171 207</u>
Present value of minimum lease payments due		
- within one year	716 167	651 924
- in second to fifth year inclusive	1 803 116	2 519 283
	<u>2 519 283</u>	<u>3 171 207</u>
Non-current liabilities	1 803 116	2 519 283
Current liabilities	716 167	651 924
	<u>2 519 283</u>	<u>3 171 207</u>
The average lease term was 5 years (2021: 5 years) and the average effective borrowing rate was between 9% and 16% (2021: 13% and 18%).		
The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 9.		
12. Payables from exchange transactions		
Trade payables	31 885 825	17 584 174
Unallocated deposits	6 132 186	8 318 995
Accrued leave pay	3 727 078	4 054 307
Accrued bonus	1 020 284	1 043 500
Retentions	1 476 882	2 197 965
Other creditors	190 911	207 080
Performance bonus provision	606 416	610 836
Consumer debtors with credit balances (exchange)	-	2 166 685
Wellness programme	96 280	82 700
Sports programme	42 401	43 251
	<u>45 178 263</u>	<u>36 309 493</u>
13. Payables from non-exchange transactions		
Salary control accounts	2 432	-
Sundry deposits	145 514	145 514
Consumer debtors with credit balances (non-exchange)	-	832 429
	<u>147 946</u>	<u>977 943</u>
14. VAT payable		
VAT	11 476 927	13 728 194
15. Consumer deposits		
Electricity	367 381	367 381
Water	341 257	377 743
	<u>708 638</u>	<u>745 124</u>

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

15. Consumer deposits (continued)

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

The management of the municipality is of the opinion that the carrying value of consumer deposits approximates their amortised cost. The fair value of consumer deposits was determined after considering the standard terms of conditions of agreements entered into between the municipality and its consumers.

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

16. Employee benefit obligations

Defined benefit plan

Post retirement benefit plan

Post retirement medical aid plan

The municipality provides for certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to those employees.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out on 30 June 2022 by Me C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service and past service costs, were measured using the Projected Unit Credit Method.

The municipality makes monthly contributions for medical aid to the following medical aid schemes:

- Bonitas
- Hosmed
- LA Health
- Samwumed

The members of the post-employment medical aid benefit obligation are made up as follows:

In-service members (employees)	21	24
Continuation members (retirees, widowers and orphans)	5	5
	26	29

The liability in respect to past service has been estimated as follows:

In-service members (employees)	4 568 000	3 956 000
Continuation members (retirees, widowers and orphans)	5 425 000	5 232 000
	9 993 000	9 188 000

Movements in the present value of the defined benefit obligation were as follows:

Balance at the beginning of the year	9 188 000	8 204 000
Current service cost	281 000	219 000
Interest cost	902 000	824 000
Benefits paid	(415 000)	(395 000)
Actuarial gains / (losses)	37 000	336 000
	9 993 000	9 188 000

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
16. Employee benefit obligations (continued)		
The amounts recognised in the statement of financial performance are as follows:		
Current service cost	281 000	219 000
Interest cost	902 000	824 000
Benefits paid	(415 000)	(395 000)
Actuarial gains / (losses)	-	336 000
	768 000	984 000

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:		
Effect on the aggregate of the current services and interest cost	-	1 209 000
Fair value of plan assets	-	10 449 000
Decrease:		
Effect on the aggregate of the current services and interest cost	-	909 000
Effect on the defined obligation	-	8 140 000

The current service cost of the year ending 30 June 2022 is estimated to be R (281,000), whereas the cost for the ensuing year is estimated to be R (4 381,000).

Long service award

The municipality operates an continuous defined benefit plan for all of its employees. Thereafter, a long service award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter. The provision is an estimate of the long service award based on the historical staff turnover. No other long service benefits are provided to employees.

Movement in the long service award provision was as follows

Balance at the beginning of the year	2 499 000	2 269 000
Current service cost	295 000	250 000
Interest cost	220 000	154 000
Actuarial gains / (losses)	(130 000)	62 000
Expected employer benefit payments	(293 000)	(236 000)
	2 591 000	2 499 000

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

Current service cost	295 000	250 000
Interest cost	220 000	154 000
Benefits paid	(130 000)	62 000
Actuarial gains / (losses)	(293 000)	(236 000)
	92 000	230 000

The effect of a 1% movement in the assumed rate of long award cost inflation is as follows:

Increase:		
Effect on the aggregate of the current services and interest cost	-	432 000
Effect on the defined obligation	-	2 634 000
Decrease:		
Effect on the aggregate of the current services and interest cost	-	482 000
Effect on the defined obligation	-	2 375 000

The current service cost of the year ending 30 June 2022 is estimated to be R (295 000), whereas the cost for the ensuing year is estimated to be R (250 000).

Umsobomvu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
16. Employee benefit obligations (continued)		
Non-current liabilities		
Post-employment medical aid benefit liability	(9 546 000)	(8 772 460)
Long service award	(2 189 000)	(2 206 000)
	(11 735 000)	(10 978 460)
Current liabilities		
Post-employment medical aid benefit liability	(447 000)	(415 000)
Long service award	(402 000)	(293 000)
	(849 000)	(708 000)
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Post-employment medical aid benefit liability	(9 993 000)	(9 188 000)
Long service award	(2 590 460)	(2 498 460)
	(12 583 460)	(11 686 460)
Non-current liabilities	(11 811 460)	(10 978 460)
Current liabilities	(772 000)	(708 000)
	(12 583 460)	(11 686 460)
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	(10 172 001)	(9 188 001)
Net expense recognised in the statement of financial performance	(645 000)	(984 000)
	(10 817 001)	(10 172 001)
Net expense recognised in the statement of financial performance		
Current service cost	(295 000)	(219 000)
Interest cost	(220 000)	(824 000)
Actuarial (gains) losses	(130 000)	(336 000)
Settlement	-	395 000
	(645 000)	(984 000)
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used: Post employment medical aid benefit liability	11,50 %	10,04 %
Discount rate used: long service award	10,87 %	9,35 %
Healthcare cost inflation rate	8,15 %	6,72 %
General salary inflation	7,33 %	5,81 %
Net discount rate: Post employment medical aid benefit liability	3,10 %	3,11 %
Net discount rate: long service award	3,35 %	3,35 %
Maximum subsidy inflation rate	4,81 %	4,81 %
Net discount rate: Maximum subsidy inflation rate	3,30 %	3,35 %
Expected retirement age (in years)	62	62

Umsobomvu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2022 2021

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Department Housing	130 852	130 852
Department Safety	124 919	124 919
Department Water Affairs and Forestry	1 519 388	1 519 388
Department Water Affairs and Forestry (2)	942 072	942 072
Development Bank of South Africa	6 337	6 337
Electricity Efficiency Demand Side Management Grant (EEDSM)	1 258 581	1 258 581
Expanded Public Works Programme (EPWP)	495 959	318 131
Institutional Re-organisation Grant	226 712	226 712
Integrated National Electrification Programme (INEP)	1 137 179	1 137 179
Municipal Infrastructure Grant (MIG)	630 424	5 601 018
National Lottery Development Trust Fund (NLDTF)	280 258	280 258
	6 752 681	11 545 447

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 26 for reconciliation of grants from National/Provincial Government.

18. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Unwinding of interest	Total
Environmental rehabilitation	8 211 388	1 404 819	998 615	10 614 822

Reconciliation of provisions - 2021

	Opening Balance	Additions	Unwinding of interest	Total
Environmental rehabilitation	5 845 760	1 711 001	654 627	8 211 388

Environmental rehabilitation provision

The provision of landfill sites relates to the obligation, in terms of the National Environmental: Waste Management Act, 2008 (Act No. 59 of 2008), whereby the municipality is required to execute the environmental management program to restore the landfill sites at Colesberg, Norvalspont and Noupoort to comply with the permit requirements.

The provision was determined by an independent expert as at 30 June 2022 and approximates the discounted expected future cash flows using reasonable estimation techniques. The discount rate used for the landfill sites is based on the bond rate that measures as close as possible to the future date of the rehabilitation. The final rehabilitation of the landfill sites are expected to at the end of the useful lives of the individual landfill sites. No uncertainties were listed in the engineer's report.

The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

The value of the provision is based on the expected future cost to rehabilitation the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

18. Provisions (continued)

Key assumptions used:

Total area expected to be rehabilitated: 123 047 square meters.

Average rate per square metre: R184.67 (excl. VAT)

The area to be rehabilitated can be reconciled to the different sites as follow:

Colesberg: 45 856 square metres
Norvalspont: 23 935 square metres
Noupoort: 20 054 square metres

The Norvalspont landfill site has adequate footprint and airspace available for the disposal of solid waste until the end of its useful life in 14 years (2034). Colesberg is estimated to reach capacity during the 20th year of operation (2041). Noupoort is estimated to reach capacity during the 17th year of operation (2038).

19. Service charges

Sale of electricity	35 283 945	29 652 304
Sale of water	17 205 055	14 389 249
Sewerage and sanitation charges	10 710 617	10 032 271
Refuse removal	6 650 815	6 648 875
Other service charges	79 163	931 961
	69 929 595	61 654 660

20. Rental of facilities and equipment

Facilities and equipment

Halls	101 439	19 838
Machinery	4 692	3 228
	106 131	23 066

Included in the above rentals are operating lease rentals at straight-lined amounts of R 106 131 (2021: R 23 066-).

21. Agency services

Department of Transport, Safety and Liasion	873 957	742 697
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22. Other income

Building plan fees	28 827	12 263
Cemetery fees	26 913	23 401
Commission earned	194 311	129 957
Connection and re-connection fees	114 988	53 268
Insurance claims	155 160	925
Other income	634 358	704 211
Photocopies	1 578	2 547
Sand, gravel and soil sales	-	7 484
Tender documents	8 000	30 435
	1 164 135	964 491

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
23. Investment revenue		
Interest revenue		
Bank	94 553	157 498
Consumer debtors	14 556 211	6 070 455
Eskom deposit	33 488	49 563
	14 684 252	6 277 516
24. Property rates		
Rates received		
Rates	16 210 782	15 123 421
Less: Income forgone	(817 433)	(734 417)
	15 393 349	14 389 004
Valuations		
Residential	1 049 386 610	693 844 300
Commercial	233 685 700	297 037 400
State	94 526 200	2 566 713 667
Agricultural	2 179 703 177	-
	3 557 301 687	3 557 595 367
<p>Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.</p> <p>The new general valuation will be implemented on 1 July 2024.</p>		
25. Availability charges		
Water	153 420	146 404
Sewerage	72 387	67 306
Electricity	143 183	133 405
	368 990	347 115
26. Government grants and subsidies		
Operating grants		
Equitable share	56 140 000	61 680 000
Finance Management Grant (FMG)	1 920 000	1 900 000
Library Development Grant	1 400 000	1 113 923
	59 460 000	64 693 923
Capital grants		
Expanded Public Works Programme (EPWP)	897 172	1 000 000
Municipal Infrastructure Grant (MIG)	17 012 594	4 605 985
Integrated National Electrification Programme (INEP)	-	8 017 944
Library Development Grant	-	186 077
Water Services Infrastructure Grant (WSIG)	7 000 700	8 360 167
	24 910 466	22 170 173
	84 370 466	86 864 096

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

26. Government grants and subsidies (continued)

Equitable Share

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

All registered indigents receive a monthly subsidy of R 575.04 (2021: R 537.67), which is funded from the grant. All registered indigent households receive 6kl water and 50kWh electricity free every month and to informal areas paraffin, matches and candles are supplied. Unspent MIG and WSIG grants from the prior year was withheld from equitable share .

National: Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	318 131	495 131
Current-year receipts	1 075 000	1 000 000
Conditions met - transferred to revenue	(897 172)	(1 000 000)
Other	-	(177 000)
	495 959	318 131

Conditions still to be met - remain liabilities (see note 17).

The Expanded Public Works Programme (EPWP) Grant is allocated to incentivise municipalities to expand work creation efforts through the use of labour incentive delivery methods in the identified focus areas on compliance with the EPWP guidelines.

National: Finance Management Grant (FMG)

Current-year receipts	1 920 000	1 900 000
Conditions met - transferred to revenue	(1 920 000)	(1 900 000)
	-	-

The Finance Management Grant (FMG) is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). The FMG also pays for the cost of the Financial Management Internship Programme (e.g. salary costs).

All conditions attached to the grant were met.

No funds were withheld.

National: Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	1 137 179	6 405 123
Current-year receipts	-	6 510 000
Conditions met - transferred to revenue	-	(8 017 944)
Other	-	(3 760 000)
	1 137 179	1 137 179

Conditions still to be met - remain liabilities (see note 17).

The grant is paid by National Treasury in order to implement the Integrated National Electrification Programme by addressing the electrification backlog of all existing and planned residential dwellings and the installation of relevant bulk infrastructure.

National: Department of Water Affairs and Forestry

Balance unspent at beginning of year	1 519 388	1 519 388
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Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
26. Government grants and subsidies (continued)		
National: Energy Efficiency and Demand Side Management Grant (EEDSM)		
Balance unspent at beginning of year	1 258 581	1 258 581
Provincial: Library Development Grant		
Current-year receipts	1 400 000	1 300 000
Conditions met - transferred to revenue	(1 400 000)	(1 300 000)
	-	-
National: Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	5 601 018	953 003
Current-year receipts	16 887 000	9 451 000
Conditions met - transferred to revenue	(17 012 594)	(4 605 985)
Repayments	(4 845 000)	(197 000)
	630 424	5 601 018
Conditions still to be met - remain liabilities (see note 17).		
The Municipal Infrastructure Grant (MIG) was allocated by National Treasury for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure.		
The original amount allocated as per the Division of Revenue Act, 2018 (Act No. 2 of 2018) (DoRA) amounted to R11 348 000, but this was decreased by National Treasury by R2 000 000 to R9 348 000 due to slow spending.		
R4 845 000 (2021: R197 000) was withheld from the Equitable share due to grant conditions not being met in the previous period.		
National: Department of Water Affairs and Forestry (2)		
Balance unspent at beginning of year	942 072	942 072
National: Water Services Infrastructure Grant (WSIG)		
Balance unspent at beginning of year	-	7 360 167
Current-year receipts	7 000 700	3 300 000
Conditions met - transferred to revenue	(7 000 700)	(8 360 167)
Other	-	(2 300 000)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
To facilitate the planning and implementation of various water projects water and on-site sanitation projects to accelerate backlog reduction and enhance the sustainability of services, especially in rural areas.		
Other: National Lottery Development Trust Fund		
Balance unspent at beginning of year	280 258	280 258
Provincial: Department of Housing		
Balance unspent at beginning of year	130 852	130 852

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
26. Government grants and subsidies (continued)		
Provincial: Department of Safety		
Balance unspent at beginning of year	124 919	124 919
Other: Development Bank of South Africa		
Balance unspent at beginning of year	6 337	6 337
Other: Institutional Re-organisational Grant		
Balance unspent at beginning of year	226 712	226 712
27. Fines, penalties and forfeits		
Law enforcement (traffic) fines	29 321 228	20 779 193
Other	20 289	10 350
	29 341 517	20 789 543
The full amount of traffic fines issued during the year is recognised at the initial transaction date as revenue in accordance with iGRAP 1.		
28. Public contributions and donations		
	-	7 688 112
Donations are represented by internal roads that was paved by the Northern Cape Department of Roads and Public Works in terms of the Root-out-of-the-dust programme. The completion date respectively was 31 March 2019 and 31 March 2020.		
29. Employee related costs		
Basic	41 829 537	41 286 244
Performance bonus	588 329	560 366
Bonus	2 410 323	2 428 407
Medical aid fund: Council contributions	868 232	924 404
Leave pay provision charge	(146 035)	487 451
Pension fund: Council contributions	6 352 877	5 984 301
Long-service awards	124 480	120 343
Allowances	994 040	1 246 165
Housing benefits and allowances	359 291	393 851
Skills development levy (SDL)	511 723	412 415
Unemployment insurance fund (UIF): Council contributions	368 497	336 131
Overtime payments	2 485 718	2 284 672
Group scheme: Council contribution	6 968	3 723
Defined benefit plan expenses	-	236 000
Industrial council	162 179	24 671
	56 916 159	56 729 144
Remuneration of the Municipal Manager		
Annual remuneration	1 135 567	1 135 567
Car allowance	144 000	144 000
Performance bonuses	179 139	179 139
Contributions to UIF, medical aid - and pension funds	2 125	1 932
	1 460 831	1 460 638

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

	2022	2021
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29. Employee related costs (continued)

Remuneration of the Chief Finance Officer

Annual remuneration	633 416	736 752
Car allowance	266 481	232 268
Performance bonuses	135 663	101 747
Contributions to UIF, medical aid - and pension funds	2 065	1 932
	1 037 625	1 072 699

Mr. TD Tshikundu resigned his post during the month of June 2022. Mr. N. Thiso acted as the financial manager until year-end and received an acting allowance totaling R22 805 for the period.

Remuneration of the Manager: Corporate Services

Annual remuneration	1 124 430	1 086 878
Acting allowance	37 272	-
Car allowance	155 530	155 530
Performance bonuses	180 947	173 937
Contributions to UIF, medical aid - and pension funds	2 125	1 932
	1 500 304	1 418 277

During the year Mr. BJ Kapp acted as the municipal manager, for which he was paid an acting allowance.

Remuneration of the Manager: Technical Services

Annual remuneration	752 117	752 117
Car allowance	120 000	120 000
Performance Bonuses	97 000	96 945
Contributions to UIF, medical aid - and pension funds	2 125	1 932
	971 242	970 994

30. Remuneration of councillors

Mayor	956 533	851 300
Mayoral Committee Members	334 570	-
Speaker	344 627	-
Councillors	3 103 134	3 144 705
	4 738 864	3 996 005

31. Repairs and maintenance

Other	4 063 867	3 503 633
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32. Depreciation and amortisation

Property, plant and equipment	26 736 978	29 483 472
Intangible assets	20 332	32 359
	26 757 310	29 515 831

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
33. Impairment of assets		
Impairments		
Property, plant and equipment	290 598	-
Property, plant and equipment (buildings, infrastructure - and movable assets) have been impaired due to condition assessments that indicated a decrease in the value in use since the last assessment.		
34. Finance costs		
Employee benefit liabilities	1 122 000	978 000
Finance leases	271 502	343 298
Overdue creditors	569 874	118 166
Rehabilitation of landfill sites	998 615	654 627
	2 961 991	2 094 091
35. Debt impairment		
Debt impairment	50 909 400	(3 582 624)
Bad debts written off	24 701 996	36 348 520
	75 611 396	32 765 896
36. Bulk purchases		
Electricity	36 908 221	31 787 593
Water	215 776	328 196
	37 123 997	32 115 789

Umsobomvu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
37. Contracted services		
Contractors		
Contracted services	6 427 017	5 507 851
38. General expenses		
Advertising	106 207	214 266
Bank charges	527 984	502 163
Cleaning	25 332	33 512
Consulting and professional fees	-	1 704
Consumables	598 584	290 786
Entertainment	104 151	73 553
Fuel and oil	1 719 423	1 439 294
Furniture and office equipment	558 402	2 130 336
Insurance	1 332 899	1 464 590
Library expenditure	1 054	-
Licence fees	614 377	610 324
Management fees	681 784	735 914
Materials and supplies	140 551	120 025
Other expenses	2 059 675	1 308 773
Postage and courier	6 598	127 716
Printing and stationery	178 726	73 702
Protective clothing	181 400	317 743
Registration fees	63 083	147 128
Special programme - Community participation	1 143 934	800 297
Subscriptions and membership fees	749 935	646 292
Telephone and fax	903 596	892 662
Title deed search fees	436	32 148
Training	10 530	-
Uniforms	259 750	43 206
Workmens Compensation	271 060	266 635
	12 239 471	12 272 769
39. Audit fees		
Fees	2 679 316	3 134 160

Umsobomvu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
40. Cash generated from operations		
(Deficit) surplus	(14 948 743)	21 923 907
Adjustments for:		
Depreciation and amortisation	26 757 310	29 515 831
Fair value adjustments	-	(4 554 100)
Finance costs	271 502	343 298
Impairment deficit	290 598	-
Debt impairment	75 611 396	-
Movements in provisions	(1 404 819)	2 365 628
Loss on disposal of assets and liabilities	66 510	-
Non cash additions PPE	721 083	-
Changes in working capital:		
Inventories	(15 921)	1 113
Receivables from non-exchange transactions	(26 134 116)	437 761
Receivables from exchange transactions	(9 282 574)	(14 088 396)
Statutory receivable from non-exchange	(36 011 022)	(883 080)
Other receivables from exchange transactions	(660 179)	(576 716)
Provisions	2 403 434	-
Receivables from availability charges	(339 560)	-
Payables from exchange transactions	8 868 770	6 188 876
VAT	(2 251 267)	(3 665 748)
Payables from non-exchange transactions	(829 997)	-
Unspent conditional grants and receipts	(4 792 766)	(8 324 096)
Consumer deposits	(36 486)	(21 957)
Employee benefit obligation - current portion	64 000	1 214 000
Operating lease asset	274	98
Employee benefit obligation - Non- current	833 000	-
	19 180 427	29 876 419

41. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	48 986 442	48 986 442
Cash and cash equivalents	1 966 494	1 966 494
	50 952 936	50 952 936

Financial liabilities

	At amortised cost	Total
Finance lease obligation	2 522 283	2 522 283
Payables from exchange transactions	31 885 825	31 885 825
Retentions	1 476 882	1 476 882
	35 884 990	35 884 990

2021

Financial assets

Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

41. Financial instruments disclosure (continued)

	At amortised cost	Total
Receivables from exchange transactions	65 201 864	65 201 864
Cash and cash equivalents	2 800 999	2 800 999
	68 002 863	68 002 863

Financial liabilities

	At amortised cost	Total
Finance lease obligation	3 171 207	3 171 207
Trade and other payables from exchange transactions	17 584 174	17 584 174
Retention	2 197 965	2 197 965
	22 953 346	22 953 346

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	46 462 564	20 224 022
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Total capital commitments

Already contracted for but not provided for	46 462 564	20 224 022
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This committed expenditure relates to plant and equipment and will be financed by government grants. The commitment amounts disclosed are inclusive of VAT.

43. Contingencies

Contingent liabilities

Komanisi //Umsobomvu municipality: Litigation is in the process against the municipality relating to a dispute with a supplier who alleges that it suffered financial loss and stock on a housing project. Due to the fact that there had been no developments in the case since 2013, management is of the opinion that there will be no financial impact as at 30 June 2022. Should there be any developments management will reassess and disclose appropriately.

Umsobomvu Municipality/ NE Lufele & NM Mxhosana & NE Takayi: The insurance claim is still pending at year end: Three children swam in the municipal quarry and drowned. Damages of R256 000 (2021: 256 000) is claimed by the family and still in progress

Dept of Environmental Affairs//Umsobomvu municipality: Legal Rep. S. Foster Attorneys (Criminal case - spillage of sewerage in Noupoort). The amount will be based on the outcome of the court case and cannot be estimated yet.

N.G. Mgcineni//Umsobomvu municipality: Mr N.G. Mgcineni worked as a section head in Community Development and registered as a candidate in the local election. He was elected as a proportional councillor and lto the regulations pertaining to officials contesting in elections he was deemed to resign. Mr Mgcineni did not agree with our interpretation of the regulation and has subsequently went to the labour court. The salary that would be payable to Mr Mgcineni if the court agrees that this was an unfair dismissal amount to R344 208.

Contingent assets

The municipality has an on-going investigation relating to fraud that was committed by a former employee. The municipality suffered a financial loss and is seeking damages of R2,246,550 (2021: R2,246,550). The likelihood of action against the former employee being successful is dependent on the outcome of the court case.

The issue was reported to the South African Police Service and the Auditor-General of South Africa, as required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

Umsobomvu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
44. Related parties		
Relationships		
MA Sestile (Councillor)	Kwazamuxolo Building and Maintenance Construction	
MR Kafi (Councillor)	Sakhisizwe Colesburg Tours Sakhisizwe Tours and event management	
W Minnie (Councillor)	Jashwill contractors	
JP Mathee (Councillor)	JM Compsol CBG Consultants	
GMH Douw (Councillor)	Enkosi Marli Bongs Consulting	
B Mangaliso (Councillor)	K2013186624(South Africa) Silubonono	
L Tyindyi (Councillor)	Wavefront Trading Umsobomvu Residence Association	
NS Mlungwana (Councillor)	Sisokola Sonke Colesberg Primary CO-Operative limited	
S Yabo (Councillor)	Yabocon Construction	
L Zakhe (Councillor)	Lindi Rose Trading Enterprise	
T Matebese (Councillor)	Umsobomvu Residence Association	
AC Mpela (Municipal Manager)	Pride and Grace Trading and Projects Umsobomvu Industrial Development (Pty) Ltd Mthomo Sediba Development Agency	
TD Tshikundu (Chief Financial Officer)	Mako Accounting Academy (Pty) Ltd Bokone Stylish Clothing (Pty) Ltd Joylou Boutique (Pty) Ltd	
BJ Kapp (Corporate Service Manager)	Birtus Kapp Beleggings CC Umsobomvu Industrial Development (Pty) Ltd	
S Nkcithiso	Masilakhe Consulting CC Iviwe Engineering Solutions CC Uhamboluhle Construction CC Sida Engineering Solutions (Pty) Ltd	
S Buka	S.E.A.T Solutions	
Related party transactions		
Property rates levied against related parties		
Councillors	7 399	16 698
Service charges rendered to related parties		
Councillors	38 387	64 042
Other charges levied against related parties		
Councillors	2 359	(863)

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44. Related parties (continued)

Remuneration of management

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44. Related parties (continued)

Councillors

2022

Name	Basic salary	Cell and data allowance	Subsistence allowance	Total
MS Toto	802 314	44 400	4 708	851 423
SE Humphries	91 320	15 895	-	107 215
MA Sestile	117 194	15 895	-	133 089
MR Kafi	117 194	15 895	-	133 089
VP Harmse	280 674	44 400	695	325 770
W Minnie	280 674	44 400	2 024	327 098
ND Staffa	487 908	44 400	2 632	534 940
NJ Batties	91 320	15 895	-	107 215
JP Matthee	295 749	44 400	999	341 148
SK Brown	91 320	15 895	-	107 215
CM Williams	91 320	14 606	-	105 926
GMH Louw	163 480	28 455	999	192 933
B Mangaliso	213 213	28 455	999	242 667
L Tyindyi	213 213	28 455	847	242 515
NS Mlungwana	163 480	28 455	695	192 629
SA Yabo	163 480	28 455	695	192 629
L Zakhe	213 213	28 455	847	242 515
T Matebese	152 297	25 900	1 303	179 500
AP Poyo	152 297	25 900	1 151	179 348
	4 181 660	538 611	18 594	4 738 864

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44. Related parties (continued)

2021

Name	Basic salary	Cell and data allowance	Subsistence allowance	Total
MS Toto	806 066	44 400	834	851 300
SE Humphries	255 091	44 400	139	299 630
MA Sestile	327 367	44 400	417	372 184
MR Kafi	327 367	44 400	-	371 767
VP Harmse	338 909	44 400	-	383 309
W Minnie	327 367	44 400	-	371 767
ND Staffa	255 091	44 400	-	299 630
NJ Batties	255 091	44 400	139	299 491
JP Matthee	255 091	44 400	-	299 491
SK Brown	255 091	44 400	-	299 491
CM Williams	127 545	20 400	-	147 945
	3 530 076	464 400	1 529	3 996 005

Executive management

2022

Name	Basic salary	Performance bonuses	Car allowance	Acting allowance	Contribution to UIF	Total
AC Mpela	1 135 567	179 139	144 000	-	2 125	1 460 831
TD Tshikundu	633 416	135 663	266 481	-	2 065	1 037 625
S Nkcithiso	752 117	97 000	120 000	-	2 125	971 242
BJ Kapp	1 124 430	180 947	155 530	37 272	2 125	1 500 304
	3 645 530	592 749	686 011	37 272	8 440	4 970 002

2021

Name	Basic salary	Performance bonuses	Car allowance	Contribution to UIF	Total
AC Mpela	1 135 567	179 139	144 000	1 932	1 460 638
TD Tshikundu	736 752	101 747	232 268	1 932	1 072 699
S Nkcithiso	752 117	96 945	120 000	1 932	970 994
BJ Kapp	1 086 878	173 937	155 530	1 932	1 418 277
	3 711 314	551 768	651 798	7 728	4 922 608

45. Risk management

Financial risk management

The Accounting Officer has 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.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

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45. Risk management (continued)

The Department: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these annual financial statements.

It is the policy of the municipality to disclose information that enables the user of its annual financial statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

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

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial environment.

Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

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.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Cash and cash equivalents:

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank.

Receivables from exchange and non-exchange transactions:

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45. Risk management (continued)

Receivables from exchange and non-exchange transactions are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

The application of section 118(3) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.

A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.

The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.

The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually.

Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of financial position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term receivables and other debtors are individually evaluated annually at reporting date for impairment or discounting.

A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment /discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Umsobomvu Local Municipality

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45. Risk management (continued)

The municipality limits its counterparty exposures from its money market investment operations by only dealing with ABSA Bank and First National Bank. No investments with a tenure exceeding twelve months are made.

Consumer debtors (included in Receivables from exchange and non-exchange transactions) comprise of a large number of ratepayers, dispersed across different industries and geographical areas.

Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer deposits are increased accordingly.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial assets and Financial liabilities are detailed in the Credit Risk Management section of this note.

Price risk

The municipality does not hold any shares.

46. Prior period adjustments

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

Statement of financial position

2021

	Note	As previously reported	Correction of error	Restated
Other receivables from exchange transactions	4	1 703 706	6 472 972	8 176 678
Cash and cash equivalents	7	5 172 398	(2 371 398)	2 800 999
Property, plant and equipment	9	511 418 202	(2 751 286)	508 666 916
Payables from exchange transactions	13	(37 378 063)	1 069 045	(36 309 018)
Accumulated surplus		(524 371 647)	(2 419 333)	(526 790 980)
		(43 455 404)	-	(43 455 405)

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges	19	(61 972 225)	(29 550)	347 115	(61 654 660)
Interest received	23	(6 227 953)	(49 563)	-	(6 277 516)
Availability charges	25	-	-	(347 115)	(347 115)
Contracted Services	37	(3 418 375)	-	(2 089 476)	(5 507 851)
Repairs and maintenance	31	-	-	(3 503 633)	(3 503 633)
Consulting and professional fees	38	(3 733 586)	-	3 731 882	1 708
Entertainment	38	(102 217)	-	28 664	73 553
Fuel and oil	38	(1 271 472)	-	(167 822)	(1 439 294)
Computer expense	38	(866 701)	-	866 701	-

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46. Prior period adjustments (continued)				
Outsourced services	38	(1 133 684)	-	1 133 684
Department of Transport, Safety and Liasion		(719 458)	-	(23 239)
Transaction fee		(23 239)	-	23 239
Surplus for the year		(79 468 910)	(79 113)	- (78 654 808)

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46. Prior period adjustments (continued)

Errors

The following prior period errors adjustments occurred:

Trade payable incorrectly provided for

During the current year it was discovered that the municipality incorrectly provided for a trade payable during the financial year ended 30 June 2020. This payable was incorrectly carried forward and resulted in the overstatement of the Payables from exchange transactions. The error was corrected retrospectively.

The effect of the correction is as follows:

Statement of financial position:

(Increase) decrease in Payables from exchange transactions	730 729	730 729
(Increase) decrease in Accumulated surplus	(730 729)	(730 729)
	<hr/>	<hr/>
	-	-

Eskom deposit balance not previously recognised

It was discovered that the municipality holds significant interest-bearing deposits with Eskom, which was omitted from its financial records. The necessary statements were obtained from Eskom and the deposits balance and interest was recognised and accounted for retrospectively.

The effect of the correction is as follows:

Statement of financial position:

Increase (decrease) in Other receivables from exchange transactions	1 307 886	1 307 886
(Increase) decrease in Accumulated surplus	(1 307 886)	(1 258 323)

Statement of financial performance:

(Increase) decrease in Interest received	-	(49 563)
	<hr/>	<hr/>
	-	-

Conlog debtor not accounted for correctly

In the prior financial year, a debtor for Conlog pre-paid electricity sales for June was not correctly accounted for. This error was subsequently corrected.

The effect of the correction is as follows:

Statement of financial position:

Increase (decrease) in Other receivables from exchange transactions	29 550	29 550
(Increase) decrease in Accumulated surplus	(29 550)	-

Statement of financial performance:

(Increase) decrease in Service charges	-	(29 550)
	<hr/>	<hr/>
	-	-

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46. Prior period adjustments (continued)

Bank reconciliations reperformed

The bank reconciliation were reperformed for the financial year ended 30 June 2021 and the necessary adjustments were made prospectively.

The effect of the correction is as follows:

Statement of financial position:

Increase (decrease) in Other receivables from exchange transactions	5 135 536	5 135 536
Increase (decrease) in Cash and cash equivalents	(2 371 399)	(2 371 399)
(Increase) decrease in Accumulated surplus	(2 764 137)	(2 764 137)
	<u>-</u>	<u>-</u>

Correction of difference in the opening balance of property, plant and equipment

A difference between the property, plant and equipment opening balances and those of the fixed asset register was carried forward from 1 July 2019. This difference has been corrected retrospectively.

The effect of the correction is as follows:

Statement of financial position:

Increase (decrease) in Property, plant and equipment	(2 751 286)	(2 751 286)
(Increase) decrease in Accumulated surplus	2 751 286	2 751 286
	<u>-</u>	<u>-</u>

Correction of error in Unallocated Deposits

Identified in the Unallocated deposits transactions were receipts that were included in the incorrect financial year .

The effect of the correction is as follows:

Statement of financial position:

Increase (decrease) in Unallocated Deposits	(338 317)	(338 317)
(Increase) decrease in Accumulated surplus	338 317	338 317
	<u>-</u>	<u>-</u>

Reclassifications

No change in accounting policies occurred during the year under review.

Reclassification 3

For purposes of the presentation and disclosure of the annual financial statements, the availability charges in respect to water, electricity and sewerage has been reclassified from receivables from exchange transactions to receivables from non-exchange transactions.

The effect of the reclassification is as follows:

(Increase) decrease in Availability charges (revenue from non-exchange transactions)	-	2 554 982
Increase (decrease) in Electricity (revenue from exchange transactions)	-	(1 177 334)
Increase (decrease) in Water (revenue from exchange transactions)	-	(1 018 964)
Increase (decrease) in Sewerage (revenue from exchange transactions)	-	(358 684)
	<u>-</u>	<u>-</u>

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46. Prior period adjustments (continued)

Reclassification of expenditure transactions

For purposes of the presentation and disclosure of the annual financial statements, certain expenditure line items were reclassified to separately disclose these items in accordance with GRAP 1.

The effect of the reclassification is as follows:

(Increase) decrease in Contracted Services	-	(2 089 476)
(Increase) decrease in Repairs and maintenance	-	(3 503 633)
(Increase) decrease in Consulting and professional fees	-	3 731 882
(Increase) decrease in Entertainment	-	28 664
(Increase) decrease in Fuel and oil	-	(167 822)
(Increase) decrease in Computer expense	-	866 701
(Increase) decrease in Outsourced services	-	1 133 684
	-	-

Reclassification

For purposes of the presentation and disclosure of the annual financial statements, the availability charges in respect to water, electricity and sewerage has been reclassified from revenue from exchange transactions to revenue from non-exchange transactions.

Statement of financial performance:

(Increase) decrease in Service charges (revenue from exchange transactions)	-	347 115
(increase) decrease in Availability charges (revenue from non-exchange transactions)	-	(347 115)
	-	-

47. Comparative figures

Certain comparative figures have been reclassified.

48. Unauthorised expenditure

Opening balance	56 787 904	28 969 086
Add: Unauthorised expenditure - current year	-	27 818 818
	56 787 904	56 787 904
Vote 1 - Government and administration	-	-
Vote 2 - Finance & admin	-	10 844 816
Vote 3 - Community services	-	16 973 994
Vote 4 - Technical services	-	-
	-	27 818 810

There was no fruitless and wasteful expenditure incurred in the current period. Included in the payments made in advance is an amount of R 202 126.50 that was paid by the municipality for the supply of paving bricks. This matter is still being investigated by the municipality if the paving bricks will be delivered or if the transaction should be classified as fruitless and wasteful expenditure.

49. Fruitless and wasteful expenditure

Add: Current year	569 874	-
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Included in the payments made in advance is an amount of R404,253 that was paid by the municipality for the supply of paving bricks. This matter is still being investigated by the municipality if the paving bricks will be delivered or if the transaction should be classified as fruitless and wasteful expenditure.

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49. Fruitless and wasteful expenditure (continued)

The remaining transactions totaling R 569 874 is due to interest levied on overdue creditor accounts.

50. Irregular expenditure

Opening balance	12 950 136	7 436 735
Add: Irregular Expenditure - current year	2 167 323	3 212 812
Add: Irregular Expenditure (additionally identified). The additional irregular expenditure will be investigated next financial year	14 775 774	7 503 660
Less: Amounts condoned	-	(5 203 071)
	29 893 233	12 950 136

Full extent of irregular expenditure identified during the audit will be fully investigated by senior management of the municipality.

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year fee	684 440	620 691
Amount paid - current year	(677 235)	(620 691)
	7 205	-

Audit fees

Opening balance	1 112 762	-
Current year fee	3 522 571	3 134 160
Amount paid - current year	(1 376 178)	(2 021 398)
Amount paid - previous year	(1 112 762)	-
Interest on overdue creditor	65 235	-
	2 211 628	1 112 762

PAYE, UIF and SDL

Current year payroll deductions	9 003 128	8 404 417
Amount paid - current year	(9 003 128)	(8 404 417)
	-	-

Pension and medical aid deductions

Current year contributions	10 762 290	10 409 436
Amount paid - current year	(10 762 290)	(10 409 436)
	-	-

VAT

VAT payable	11 476 927	13 728 194
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VAT output payables and VAT input receivables are shown in note .

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

Distribution losses

Umsobomvu Local Municipality

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51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Electricity	9 023 538	8 907 499
Water	9 723 521	9 489 410
	18 747 059	18 396 909

Electricity losses

The municipality purchased 25 303 188.15 (2021: 225 669 795) units during the financial year. It sold / billed 19 115 580.86 (2021: 18 475 865) units during the year and has calculated its distribution losses to be an estimated 24.452% (2021: 28.02%) at an average cost of R1.4583 (2021: R1.1454) per unit.

The main reasons for incurring electricity losses relates to the dissipation when electricity flows through the conductors, illegal connections, meter tampering and incorrect metering. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced / repaired as soon as they are reported.

Water losses

The municipality pumped 1 924 289.00 (2021: 2 367 1555) units during the financial year. It sold / billed 1 106 215.00 (2020: 965 086) units during the year and has calculated its distribution losses to be an estimated 42.52% (2021: 59.23%) at an average cost of R11.8830 (2020: R1.9179) per unit.

These losses occur due to inter alia, leakages, the tampering of meters, incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced / repaired as soon as they are reported.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for less than 90 days at 30 June 2022:

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MS Toto	2 047	1 836	3 883
MR Kafi	1 302	5 849	7 151
E Humphries	1 453	(1 364)	89
W Minnie	1 672	5 365	7 037
VP Harmse	1 386	1 522	2 908
CM Williams	56	8 756	8 812
SK Brown	1 181	(787)	394
NJ Batties	2 480	34 943	37 423
	11 577	56 120	67 697

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51. Additional disclosure in terms of Municipal Finance Management Act (continued)

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MS Toto	2 091	2 643	4 734
MR Kafi	1 311	2 794	4 105
E Humphries	1 738	927	2 665
MA Sestile	1 360	212	1 572
W Minnie	1 606	5 486	7 092
VP Harmse	1 411	1 454	2 865
CM Williams	516	7 866	8 382
SK Brown	372	-	372
JP Mathee	1 358	-	1 358
NJ Batties	2 557	27 874	30 431
	14 320	49 256	63 576

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2022	Highest outstanding amount	Aging (in days)
MS Toto	1 836	90
MR Kafi	5 849	90
E Humphries	89	30
W Minnie	5 365	90
VP Harmse	1 522	90
CM Williams	8 756	90
SK Brown	394	90
JP Mathee	3 150	30
NJ Batties	34 943	90
	61 904	690

30 June 2021	Highest outstanding amount	Aging (in days)
MS Toto	1 245	180
MR Kafi	1 679	330
E Humphries	822	30
MA Sestile	612	180
W Minnie	797	180
VP Harmse	516	180
CM Williams	1 047	330
SK Brown	371	30
JP Mathee	3 267	180
NJ Batties	1 465	120
	11 821	1 740

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51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

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

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

The expenses incurred as listed hereunder have been condoned.

Incident

Three quotations not obtained	150 761	-
Special procurement	50 339	-
Exceptional cases	2 806 940	2 143 258
Sole provider	758 381	555 824
Emergency cases	654 372	1 096 814
	4 420 793	3 795 896

52. Principal-Agent arrangements

Principal in Principal-Agent arrangement

The municipality is the Principal in the Principal-Agent arrangement with Conlog. Conlog undertakes pre-paid electricity sales through the use of third-party vendors on behalf of Umsobomvu Local Municipality. No significant judgements were applied in determining if the municipality was the principal. No changes have been made to the terms and conditions for the arrangement during the reporting period. No significant risks and benefits associated with the arrangement have been identified.

Compensation paid for agency activities

Statement of Financial Performance

Commission income paid	243 890	272 789
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Statement of Financial Position

Conlog debtor included in trade and other receivables	-	1 038 992
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Umsobomvu Local Municipality paid 4.2% commission and other administrative cost to Conlog for acting as the agent on its behalf during the financial year.

Resources under custodianship of the agent, nor have they been recognised as such. All resources provided to third party vendors are that of the agent and not the municipality. There is no direct resource or cost implications for the principal if the principal-agent arrangement is terminated, however this will directly impact on service delivery continuity and revenue generation negatively, due to the reduction in service points.

Agent in Principal-Agent arrangement

The Umsobomvu Local Municipality is the Agent in the Principal-Agent arrangement with various personal insurance companies, unions and legal firms. The municipality deduct specified amounts from salaries of municipal employees on behalf of the principals in exchange for commission of 2.50% and 2.87%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. There have been no significant changes in the terms and conditions of the arrangements during the reporting period. There are no significant risks and benefits associated with the principal-agent arrangements.

The Umsobomvu Local Municipality is the Agent in the Principal-Agent arrangement with Department of Transport, Safety and Liaison. The municipality is responsible for the issuing of vehicle and drivers licences on behalf of the Department of Transport, Safety and Liaison in exchange for commission of 12%. No significant judgements are applied in determining that the municipality was the agent in the arrangement.

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52. Principal-Agent arrangements (continued)

Compensation received for agency activities

Statement of Financial Performance

Commission (Payroll deductions)	243 890	118 872
Commission (Department of Transport, Safety and Liaison)	59 910	44 409
	303 800	163 281

53. Budget differences

Material differences between budget and actual amounts

Material differences are deemed material where the differences differ with 10% or more of the final budget.

Statement of financial performance

Rental of facilities and equipment: The budget was based on prior year income, this figure was less than what would have been expected in a normal year because of the covid pandemic and the capacity restrictions that were imposed.

Agency services: This is attributable to the increase in collection of license fees. Licences and permits were budgeted as a separate line item but the actual amount was included in Agency services on the financial statements.

Other income: Management expected an increase in other income, unfortunately the anticipated increase was not achieved.

Interest received: The increase in interest received is due to the fact that the municipality raised interest on debtors accounts for a certain number of months in the prior year and not the full year, interest were levied every month on the debtors accounts in the current year. This is also indicated by the increase in the consumer debtors.

Fines, penalties and interest: This amount budgeted was based on prior year income, the increase in fines, penalties and interest are attributed to the restrictions on traveling that were lifted in the current year as the country reached the end of the Covid- 19 Pandemic.

Property rates: The budget amount does not take into consideration the implementation of the new valuation roll and the additional property rates that would be received from residential and agriculture units because of the increase in value of these properties.

Loss on disposal of an asset: This amount was not budgeted for since this is not a cashflow item.

Auditors remuneration: Management over-estimated the expenditure relating to auditors remuneration due to the fact that they did not take into account the discount received from the Auditor General

Remuneration of councillors: The municipality made provision for an increase in councillors remuneration for the current period but there was never a Government Gazette issued to indicate that the councillors remuneration is to be adjusted and thus stayed consistent from the prior period.

Fines and penalties: Due to the cashflow constraints experienced in the current year the municipality incurred fines and penalties on creditor accounts that were not considered when calculation the budget.

General expenses: Management increased the budget from the prior year to prepare for unforeseen expenditure, however during the current period the general expenditure decreased.

Finance cost: Due to cashflow constraints experienced during the period the municipality incurred interest on creditor accounts that were not budgeted for.

Debt impairment: Increase in impairment of debtors is due to the increase in aging of customer debtor accounts that are not being settled by customers. Management also ensured that all fines issued have been accounted for in terms of iGRAP 1 and have provided for the portion deemed irrecoverable, which was not budgeted for.

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53. Budget differences (continued)

Availability charges: Due to the fact that the split of debtors and revenue from availability charges is a new GRAP requirement, Management did not budget separately for the debtors and revenue from availability charges. This is the reason for the variances

Repairs and maintenance: Due to the municipality's financial difficulties and due to cost cutting measures, the expected budget was not achieved

Impairment loss: Management did not budget for the impairment on assets due to the fact that this estimation is done at year-end by the Asset Consultants when physical verification is done. Management did not have a sufficient information at the date of budgeting to estimate for asset impairment

Bulk purchases: Management over-budgeted for the expenditure relating to the bulk purchases

Contracted services: Due to the municipality's financial difficulties and due to cost cutting measures, the expected budget was not achieved

Travel and subsistence: Management budgeted for travel and subsistence under general expenditure

Depreciation and amortisations: Management over-budgeted the amounts for depreciation expenditure based on prior year amounts

Statement of financial position

Inventory: The municipality based the budgeted amount on bulk water purchases from the Department of Water Association, however the Department failed to invoice the municipality for water usage in the past 2 years.

Other receivables from non-exchange transactions: The budgeted amount was based on prior year figures. The significant increase is due to the financial difficulty in the community that leads to old debt rolling over to the current year's balance and new debt being raised on debtor accounts, therefore debtors are struggling to settling their outstanding debt.

Cash and cash equivalents: Due to cashflow constraints experienced during the period, management had to utilize most of their cash reserve in their investment account. The reason behind this is due to the recovery of debtors did not occur as planned.

Intangible assets: The budgeted amount was based on the prior year disposal of Intangible assets, however the municipality did not dispose any intangible assets in the current year

Trade payables: Due to the cashflow constraints experienced during the period the creditor accounts could not be settled in the required period of 30 days and thus the Trade payables amount increased

Finance lease obligation: The finance lease obligation budget amount was based on the present value minimum lease payments of the prior year. The final liability decreased due to payments being made. In addition the budgeted amount includes the current liability portion and the non current portion that is disclosed as a separate line items on the financial statement.

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53. Budget differences (continued)

VAT payable: Not budgeted for separately.

Provisions: Due to the fact that this is a non cash flow item that is not calculated by the municipality the budgeted amount was incorrect. The budgeted amount for provisions of Landfill sites, Employee benefit obligations and long service awards include both the current and non current portion that is disclosed as a separate line item on the financial statement.

Other debtors from exchange transactions: Management did not budget for over-and- under banking

Consumer debtors: Management did not budget separately for statutory receivables from non-exchange transactions, this is budgeted for with consumer debtors

Statutory receivables from non-exchange transactions: Management did not budget separately for statutory receivables from non-exchange transactions, this is budgeted for with consumer debtors

Receivables from availability charges: Due to the fact that the split of debtors and revenue from availability charges is a new GRAP requirement, Management did not budget separately for the debtors and revenue from availability charges. This is the reason for the variances

Consumer deposits: Management over estimated the deposits that have been made by consumers for electricity and water

Employee benefit obligation (Current): Management over-budgeted for the current portion of the employee benefit obligation and under- budgeted for the non-current portion of the employee benefit obligation

Unspent conditional grants and receipts: The municipality anticipated that all grants received will be utilised for the year, therefore no amount was budgeted for.

Employee benefit obligation (Current): Management over-budgeted for the current portion of the employee benefit obligation and under- budgeted for the non-current portion of the employee benefit obligation

Provisions: Due to the fact that this is a non-cash flow item, management incorrectly did not include the effect of the movement in the provision

Cash flow statement:

Sale of goods and services: Due the financial difficulty within the community, outstanding debt is not recovered as quickly as expected.

Interest income: Due the decrease in cash and cash equivalents the interest income decreased as well.

Suppliers and Employee costs: Due to the municipality's financial difficulties and due to cost cutting measures, the expected budget was not achieved

Finance costs: Management under-budgeted for finance costs due to the fact that they have payment arrangements with suppliers to limited the levy of finance charges on outstanding accounts, Management however did not budget for defaulting on supplier payment arrangements due to financial difficulty

Purchase of property, plant and equipment: Due to the municipality's financial difficulties and due to cost cutting measures, the expected budget was not achieved

Cash and Cash Equivalents at the beg of the year: Due to cashflow constraints experienced during the period, management had to utilize most of their cash reserve in their investment account. The reason behind this is due to the recovery of debtors did not occur as planned.

Cash and Cash Equivalents at the end of the year: Due to cashflow constraints experienced during the period, management had to utilize most of their cash reserve in their investment account. The reason behind this is due to the recovery of debtors did not occur as planned.

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54. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2020.

55. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 511 841 757 and that the municipality's total assets exceed its liabilities by R 511 841 757.

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

Management considered the following matters relating to the going concern assumption:

- The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.
- The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.
- The ability of the municipality to continue as a going concern is dependant on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality is currently experiencing financial difficulties. Indicators of the financial problems are:

- Deficit of R14 948 743 (2021: surplus of R 21 923 907) was realised, Government grants and subsidies contributed R84 370 466 (2021: R 86 864 096).
- The municipality's unspent conditional grants for the current year amounted to R 6 752 681 (2021: R11 545 447). This is an indication that monies received are not utilised for the specific projects under construction and should be paid back to the relevant parties.
- The creditors are not paid within 30 days as required by the MFMA due to cash constraints.
- Debt collection period has not improved during the current financial year.
- The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets should be impaired (GRAP 104). A provision for doubtful debt amounting to R 223 632 712 (2021: R174 374 222) has been disclosed in the financial statements.
- As at 30 June 2020 the municipality's current liabilities amounted to R 65 752 622 (2021: R64 666 125), whilst the current assets amounted to R 83 732 225 (2021: R 87 734 753).
- The current and acid test ratios are below the required ratio of 1.11:1 and 1.00:1, respectively.

Management have considered the risks, but based on their evaluation of the following mitigating factors have concluded that the going concern assumption is appropriate for the following 12 months:

- The Umsobomvu Local Municipality is a municipality within the local government sphere. Currently, in the municipal environment, municipalities within South Africa rely heavily on government's financial assistance through the provision of grants. For the 2022 financial year, the allocated Equitable Share allocation amounts to R 56 140 000 and the Financial Management Improvement Grant to R 1 920 000 .

Umsobomvu Local Municipality

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55. Going concern (continued)

- No intention by government has been identified that indicates the discontinuing of financial assistance through the provision of government grants. The DoRA and the Division of Revenue Bill, 2022 furthermore disclosed government's proposed allocation of the 2023 and 2024 financial years. This is evidence of government's continued financial support to be provided to the municipality for the following 36 months.
- The municipality has not been placed under administration for the 12 months ending 30 June 2022.

56. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: Community and Social Services, Energy Sources, Executive Council, Finance and Administration, Road Transport, Waste Water Management, Water Management, Waste Management. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

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56. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Community and Social Services	Energy Sources	Executive and Council	Finance and Admin	Road Transport	Waste Water Management	Water Management	Waste Management	Total
Revenue									
Agency services	-	-	-	-	873 957	-	-	-	873 957
Fines, Penalties and Forfeits	766	4 073	-	-	29 336 678	-	-	-	29 341 517
Government Grants and Subsidies	1 400 000	-	56 140 000	1 920 000	17 909 766	7 000 700	-	-	84 370 466
Interest received	-	14 616 827	-	67 426	-	-	-	-	14 684 253
Other Income	35 459	101 814	429 640	544 351	39 089	1 944	11 838	-	1 164 135
Rental of Facilities and Equipment	-	-	-	101 439	4 692	-	-	-	106 131
Service charges	-	35 283 945	79 163	-	-	10 710 617	17 205 056	6 650 816	69 929 597
Property Rates	-	-	-	15 393 349	-	-	-	-	15 393 349
Availabiliy charges	-	143 183	-	225 807	-	-	-	-	368 990
Total segment revenue	1 436 225	50 149 842	56 648 803	18 252 372	48 164 182	17 713 261	17 216 894	6 650 816	216 232 395
Entity's revenue									216 232 395

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	Community and Social Services	Energy Sources	Executive and Council	Finance and Admin	Road Transport	Waste Water Management	Water Management	Waste Management	Total
56. Segment information (continued)									
Expenditure									
Bulk purchases	-	36 908 221	-	-	-	-	215 776	-	37 123 997
Contracted services	-	-	1 760 905	4 485 841	-	109 246	71 024	-	6 427 016
Debt Impairment	-	79 899	-	75 412 784	-	27 393	45 966	45 355	75 611 397
Finance costs	-	-	2 120 615	569 874	-	-	-	271 502	2 961 991
Employee Related Costs	8 091 023	3 221 131	5 370 697	17 950 749	9 277 283	4 002 704	6 282 200	2 720 372	56 916 159
Fines and penalties	-	-	-	-	125 144	-	-	-	125 144
General expenses	150 685	1 057 881	5 043 618	1 953 233	1 462 895	532 737	1 760 619	272 775	12 234 443
Remuneration of Councillors	-	-	4 738 864	-	-	-	-	-	4 738 864
Auditors remuneration	-	-	-	2 679 316	-	-	-	-	2 679 316
Deprecation and amortisation	-	-	-	20 332	-	26 736 978	-	-	26 757 310
Travel and substance	7 883	5 487	784 235	264 965	110 606	-	6 319	-	1 179 495
Loss on disposal of assets and liabilities	-	-	-	66 510	-	-	-	-	66 510
Impairment of assets	-	-	-	290 598	-	-	-	-	290 598
Repairs and Maintenance	65 927	1 322 161	-	119 591	1 627 899	207 542	496 676	229 099	4 068 895
Total segment expenditure	8 315 518	42 594 780	19 818 934	103 813 793	12 603 827	31 616 600	8 878 580	3 539 103	231 181 135
Total segmental surplus/(deficit)									(14 948 740)

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	Community and Social Services	Energy Sources	Executive and Council	Finance and Admin	Road Transport	Waste Water Management	Water Management	Waste Management	Total
56. Segment information (continued)									
Assets									
Cash and cash equivalents	-	-	-	1 966 494	-	-	-	-	1 966 494
Intangible Assets	-	-	-	44 484	-	-	-	-	44 484
Inventory	-	-	-	370 300	-	-	50 889	-	421 189
Investment Property	-	-	-	16 698 999	-	-	-	-	16 698 999
Property, plant and equipment	(49 770 142)	(59 059 312)	-	(64 813 212)	44 810 432	22 659 234	607 417 567	103 500	501 348 067
Receivables from exchange transactions	-	1 648	(8 990)	9 384 663	-	-	-	-	9 377 321
Receivables from non-exchange transactions	-	-	-	40 149 585	-	-	-	-	40 149 585
Statutory receivables from exchange transactions	-	-	-	48 023 716	(27 937 479)	-	-	-	20 086 237
Other receivables from exchange transactions	-	-	-	8 836 857	-	-	-	-	8 836 857
Receivables from availability charges	-	-	-	2 894 542	-	-	-	-	2 894 542
Total segment assets	(49 770 142)	(59 057 664)	(8 990)	63 556 428	16 872 953	22 659 234	607 468 456	103 500	601 823 775
Total assets as per Statement of financial Position									601 823 775
Liabilities									
Accounts Payable	(16 146)	-	-	315 523 337	(360 672 886)	-	-	(12 567)	(45 178 262)
Payables from non-exchange transactions	-	-	-	(147 946)	-	-	-	-	(147 946)
Finance lease obligations	-	-	-	(2 519 283)	-	-	-	-	(2 519 283)
Employee benefit obligation	-	-	-	(12 583 460)	-	-	-	-	(12 583 460)
Provision	-	-	-	(10 614 822)	-	-	-	-	(10 614 822)
VAT Payable	-	-	1 614 205	6 538 448	-	-	(19 629 580)	-	(11 476 927)
Unspent grants	-	-	-	(6 752 681)	-	-	-	-	(6 752 681)
Consumer deposits	-	-	-	(708 638)	-	-	-	-	(708 638)
Total segment liabilities	(16 146)	-	1 614 205	288 734 955	(360 672 886)	-	(19 629 580)	(12 567)	(89 982 019)

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	Community and Social Services	Energy Sources	Executive and Council	Finance and Admin	Road Transport	Waste Water Management	Water Management	Waste Management	Total
56. Segment information (continued)									
Total liabilities as per Statement of financial Position									(89 982 019)

2021

	Community and Social Services	Energy Sources	Executive and Council	Finance and Admin	Road Transport	Waste Water Management	Water Management	Waste Management	Total
Revenue									
Agency services	-	-	-	-	719 458	-	-	-	719 458
Fines, Penalties and Forfeits	194	10 156	-	-	20 779 193	-	-	-	20 789 543
Government Grants and Subsidies	1 300 000	8 017 944	61 680 000	1 900 000	1 000 000	8 360 167	4 605 985	-	86 864 096
Interest received	-	6 078 619	-	198 898	-	-	-	-	6 277 517
Other Income	25 953	47 203	402 958	462 565	42 985	2 301	3 765	-	987 730
Rental of Facilities and Equipment	-	-	-	20 230	3 228	-	-	-	23 458
Service charges	-	29 756 159	614 396	-	-	10 099 576	14 535 654	6 648 874	61 654 659
Property Rates	-	-	-	14 389 005	-	-	-	-	14 389 005
Public contributions and donations	-	-	-	-	7 688 112	-	-	-	7 688 112
Fair value adjustment	-	-	-	4 554 100	-	-	-	-	4 554 100
Availability charges	-	-	-	347 115	-	-	-	-	347 115
Total segment revenue	1 326 147	43 910 081	62 697 354	21 871 913	30 232 976	18 462 044	19 145 404	6 648 874	204 294 793
Entity's revenue									204 294 793

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56. Segment information (continued)

Expenditure

Bulk purchases	-	31 787 593	-	-	-	-	328 196	-	32 115 789
Contracted services	-	1 153 095	(6 000)	52 304	3 720 328	419 760	103 376	64 988	5 507 851
Debt Impairment	-	-	-	32 765 897	-	-	-	-	32 765 897
Depreciation	-	-	-	32 359	128 819	29 354 653	-	-	29 515 831
Employee Related Costs	7 682 881	3 050 304	4 132 904	20 043 416	9 291 916	3 918 262	6 181 337	2 428 124	56 729 144
Finance cost	-	-	1 632 627	118 166	-	-	-	343 298	2 094 091
General expenses	(2 081 536)	979 667	6 778 970	6 087 274	(1 969 922)	302 276	1 818 871	357 168	12 272 768
Remuneration of councilors	-	-	3 996 005	-	-	-	-	-	3 996 005
Auditors remuneration	-	-	-	3 134 160	-	-	-	-	3 134 160
Fines and penalties	-	-	-	-	186 752	-	-	-	186 752
Travel and substance	-	4 785	286 879	227 240	23 907	181	5 971	-	548 963
Repairs and Maintenance	-	-	-	3 503 633	-	-	-	-	3 503 633
Total segment expenditure	5 601 345	36 975 444	16 821 385	65 964 449	11 381 800	33 995 132	8 437 751	3 193 578	182 370 884
Total segmental surplus/(deficit)									21 923 909

Assets

Cash and cash equivalents	-	-	-	2 801 000	-	-	-	-	2 801 000
Intangible Assets	-	-	-	64 816	-	-	-	-	64 816
Inventory	-	-	-	370 300	-	-	34 968	-	405 268
Investment Property	-	-	-	16 698 999	-	-	-	-	16 698 999
Property, plant and equipment	-	5 108 635	-	174 313 501	188 188 727	27 628 111	113 324 441	103 500	508 666 915
Receivables from exchange transactions	-	-	-	59 580 167	-	-	-	-	59 580 167
Receivables from non-exchange transactions	-	-	-	2 117 223	-	-	-	-	2 117 223
Statutory receivables from non-exchange transactions	-	-	-	14 654 417	-	-	-	-	14 654 417
Other receivables from exchange transactions	-	-	-	8 176 678	-	-	-	-	8 176 678
Operating lease asset	-	-	-	274	-	-	-	-	274
Total segment assets	-	5 108 635	-	278 777 375	188 188 727	27 628 111	113 359 409	103 500	613 165 757
Total assets as per Statement of financial Position									613 165 757

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56. Segment information (continued)									
Liabilities									
Accounts Payable	-	-	-	36 309 493	-	-	-	-	36 309 493
Payables from non-exchange transactions	-	-	-	977 942	-	-	-	-	977 942
Other Financial Liabilities	-	-	-	3 171 206	-	-	-	-	3 171 206
Provisions	-	-	-	8 211 388	-	-	-	-	8 211 388
Unspent Grants	124 919	-	-	11 420 528	-	-	-	-	11 545 447
VAT Payable	-	-	-	13 728 194	-	-	-	-	13 728 194
Consumer deposits	-	-	-	745 124	-	-	-	-	745 124
Employee benefits	-	-	-	11 686 460	-	-	-	-	11 686 460
Total segment liabilities	124 919	-	-	86 250 335	-	-	-	-	86 375 254
Total liabilities as per Statement of financial Position									86 375 254