Mandeni Municipality
Annual Financial Statements
for the year ended 30 June 2022

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (electricity and refuse) to communities in a sustainable manner to promote social and economic development, and to promote a safe and a healthy environment.

MEMBERS OF EXECUTIVE COUNCIL

Mayor and Chairman of the Executive Committee	Cllr TP Mdlalose
Deputy Mayor	Cllr BL Magwaza
Speaker (Ex-Officio)	Cllr PM Sishi
Members of the Executive Committee	Cllr SZ Mdletshe
	Cllr ST Magwaza
	Cllr MS Mdunge
	Cllr M Shelembe
	Cllr M Mthembu
Other councillors	Cllr NO Dladla
	Cllr SF Gina
	Cllr BA Khumalo
	Cllr NH Khuzwayo
	Cllr SA Mabhida
	Cllr SJ Mathonsi
	Cllr XH Mathonsi
	Cllr S Mathonsi
	Cllr MC Mkhaliphi
	Cllr BA Mchunu
	Cllr ST Thwala
	Cllr SS Mdunge
	Cllr CT Mhlongo
	Cllr CL Mthembu
	Cllr DGP Mthembu
	Cllr LS Mthembu
	Cllr LS Zungu
	Cllr SP Naicker
	Cllr MT Ncanana
	Cllr NS Ncube
	Cllr MB Ngidi
	Cllr S Nkwanyana
	Cllr PP Nsele
	Cllr S Ntuli
	Cllr N Nxumalo
	Cllr ZM Nxumalo
	Cllr SW Shandu

General Information

Senior management	SG Khuzwayo- Municipal Manager NN Mngomezulu - Chief Financial Officer VP Zulu - Director: Corporate Services KP Gumede - Director: Technical Services L Kutwana-Gomana - Director: Public Safety and Community Services (Resigned: 30 June 2022) WD Mbongwa - Director: Economic Development, Planning and Human Settlement
Auditors	Auditor-General South Africa
Bankers	First National Bank Nedbank Standard Bank
Registered office	Mandeni Municipal Office 2 Kingfisher Road Mandeni 4490
Business address	2 Kingfisher Road Mandeni 4490
Postal address	P O Box 144 Mandeni 4490
Telephone number	032 - 456 8200
Fax number	032 - 456 2504
Email address	info@mandeni.gov.za
Grading of local authority	3
Jurisdiction	Mandeni Boundary (as determined by the Demarcation Board)
Legislation governing the municipality's operations	Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Constitution of the Republic of south Africa (Act 108 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)

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

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
AFS	Annual Financial Statements
GRAP	Generally Recognised Accounting Practice
NDR	Non-Distributable Reserve
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SCM	Supply Chain Management
SARS	South African Revenue Service

Accounting Officer's Responsibilities and Approval

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

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

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporative Governance and Traditional Affairs' determination in accordance with this Act.

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2023 and, in 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 external auditor, being the Auditor General of South Africa, is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on pages 6 to 90, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed by:

SG Khuzwayo
Accounting Officer

Mandeni

31 August 2022

Accounting Officer's Report

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

1. Going concern

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

2. Subsequent events

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

3. Accounting policies

The annual financial statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

4. Non-current assets

There were no changes in the policy relating to the use of non-current assets.

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	3	807,121	863,761
Receivables from exchange transactions	4	10,338,769	10,075,322
Receivables from non-exchange transactions	5	3,055,786	3,481,205
Statutory receivables	6	19,026,490	14,827,839
VAT receivable	7	1,788,995	6,592,955
Call and investments deposits	8	138,861,901	181,073,835
Cash and cash equivalents	9	4,119,614	905,854
		177,998,676	**217,820,771**
Non-Current Assets			
Investment property	10	88,163,500	84,587,000
Property, plant and equipment	11	484,787,955	455,470,654
Intangible assets	12	476,853	674,125
Call and investments deposits	8	65,000,000	-
		638,428,308	**540,731,779**
Total Assets		**816,426,984**	**758,552,550**
Liabilities			
Current Liabilities			
Finance lease obligation	13	13,719	896,351
Payables from exchange transactions	14	32,491,560	32,139,086
Consumer deposits	15	269,853	290,048
Unspent conditional grants and receipts	16	8,705,120	30,079,407
		41,480,252	**63,404,892**
Non-Current Liabilities			
Finance lease obligation	13	-	13,719
Employee benefit obligation	17	22,795,217	23,593,831
		22,795,217	**23,607,550**
Total Liabilities		**64,275,469**	**87,012,442**
Net Assets		**752,151,515**	**671,540,108**
Reserves			
Housing Development fund		1,878,425	1,826,842
Accumulated surplus	18	750,273,090	669,713,266
Total Net Assets		**752,151,515**	**671,540,108**

* See Note 56

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021
Revenue			
Revenue from exchange transactions			
Service charges	20	56,776,414	43,822,143
Rental of facilities and equipment	21	324,595	332,926
Licences and permits	22	791,212	800,166
Other income	23	825,358	1,010,655
Interest received - investment	24	10,694,201	7,469,834
Total revenue from exchange transactions		**69,411,780**	**53,435,724**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	43,599,893	50,869,922
Property rates - penalties imposed	25	3,387,193	4,084,279
Transfer revenue			
Government grants & subsidies	26	263,840,085	251,779,560
Fines, penalties and forfeits	27	1,201,534	281,183
Donated assets income	28	1,649,000	-
Total revenue from non-exchange transactions		**313,677,705**	**307,014,944**
Total revenue	19	**383,089,485**	**360,450,668**
Expenditure			
Employee related costs	29	(109,119,850)	(106,176,030)
Remuneration of councillors	30	(13,797,605)	(13,527,997)
Depreciation and amortisation	31	(31,725,852)	(29,401,625)
Finance costs	36	(2,656,611)	(2,841,194)
Lease rentals on operating lease	35	(1,450,248)	(1,695,414)
Debt Impairment	34	(20,429,748)	(34,245,358)
Bulk purchases	32	(36,574,524)	(28,815,906)
Contracted services	37	(55,937,748)	(50,018,395)
General Expenses	38	(34,070,180)	(30,585,131)
Total expenditure		**(305,762,366)**	**(297,307,050)**
Operating surplus		**77,327,119**	**63,143,618**
Loss on disposal/scrappings of assets	39	(818,869)	(1,500,925)
Fair value adjustments	40	3,576,500	15,961,000
Actuarial gains/losses	17	4,005,157	(710,761)
Impairment loss	33	(3,530,083)	(2,446,786)
		3,232,705	**11,302,528**
Surplus for the year		**80,559,824**	**74,446,146**

* See Note 56

Statement of Changes in Net Assets

Figures in Rand	Other NDR	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1,782,255	592,062,331	593,844,586
Adjustments			
Prior year adjustments - note 56	-	3,204,789	3,204,789
Balance at 01 July 2020 as restated*	**1,782,255**	**595,267,120**	**597,049,375**
Changes in net assets			
Surplus for the year	-	74,446,146	74,446,146
Interest on reserves	44,587	-	44,587
Total changes	44,587	74,446,146	74,490,733
Restated balance at 01 July 2021	**1,826,842**	**669,713,266**	**671,540,108**
Changes in net assets			
Surplus for the year	-	80,559,824	80,559,824
Interest on reserves	51,583	-	51,583
Total changes	51,583	80,559,824	80,611,407
Balance at 30 June 2022	**1,878,425**	**750,273,090**	**752,151,515**

* See Note 56

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021
Cash flows from operating activities			
Receipts			
Taxation		45,494,977	64,738,586
Sale of goods and services		60,079,306	47,256,087
Grants		244,897,558	262,406,642
Interest income		7,989,438	6,453,515
		358,461,279	380,854,830
Payments			
Employee costs		(123,542,667)	(116,286,116)
Suppliers		(144,467,725)	(141,467,584)
Other payments		(58,461)	(331,943)
		(268,068,853)	(258,085,643)
Net cash flows from operating activities	42	**90,392,426**	**122,769,187**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(63,545,832)	(51,275,442)
Proceeds from sale of property, plant and equipment	11	-	148,846
Net cash flows from investing activities		**(63,545,832)**	**(51,126,596)**
Cash flows from financing activities			
Finance lease payments		(896,351)	(853,566)
Interest on reserves capitalised		51,583	44,587
Net cash flows from financing activities		**(844,768)**	**(808,979)**
Net increase in cash and cash equivalents		**26,001,826**	**70,833,612**
Cash and cash equivalents at the beginning of the year		181,979,689	111,146,077
Cash and cash equivalents at the end of the year	8&9	**207,981,515**	**181,979,689**

* See Note 56

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	48,762,339	-	**48,762,339**	56,776,414	**8,014,075**	
Rental of facilities and equipment	130,000	40,000	**170,000**	324,595	**154,595**	
Licences and permits	695,000	(35,000)	**660,000**	791,212	**131,212**	
Other income	640,243	1,315,818	**1,956,061**	825,358	**(1,130,703)**	
Interest received - investment	4,950,000	550,000	**5,500,000**	10,694,201	**5,194,201**	
Total revenue from exchange transactions	**55,177,582**	**1,870,818**	**57,048,400**	**69,411,780**	**12,363,380**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	46,641,524	-	**46,641,524**	43,599,893	**(3,041,631)**	
Property rates - penalties	6,739,585	(3,000,000)	**3,739,585**	3,387,193	**(352,392)**	
Transfer revenue						
Government grants & subsidies	236,880,000	26,833,248	**263,713,248**	263,840,085	**126,837**	
Fines, Penalties and Forfeits	265,000	-	**265,000**	1,201,534	**936,534**	
Donations received	-	-	**-**	1,649,000	**1,649,000**	
Total revenue from non-exchange transactions	**290,526,109**	**23,833,248**	**314,359,357**	**313,677,705**	**(681,652)**	
Total revenue	**345,703,691**	**25,704,066**	**371,407,757**	**383,089,485**	**11,681,728**	
Expenditure						
Personnel	(107,819,048)	(1,250,000)	**(109,069,048)**	(109,119,850)	**(50,802)**	
Remuneration of councillors	(14,643,023)	450,000	**(14,193,023)**	(13,797,605)	**395,418**	
Depreciation and amortisation	(32,726,445)	-	**(32,726,445)**	(31,725,852)	**1,000,593**	
Impairment loss	-	-	**-**	(3,530,083)	**(3,530,083)**	
Finance costs	(400,000)	(2,603,000)	**(3,003,000)**	(2,656,611)	**346,389**	
Lease rentals on operating lease	-	-	**-**	(1,450,248)	**(1,450,248)**	
Debt Impairment	(30,635,110)	(4,000,000)	**(34,635,110)**	(20,429,748)	**14,205,362**	
Bulk purchases	(35,143,294)	(1,500,000)	**(36,643,294)**	(36,574,524)	**68,770**	
Contracted Services	(56,718,390)	(256,320)	**(56,974,710)**	(55,937,748)	**1,036,962**	
General Expenses	(45,377,139)	(7,101,326)	**(52,478,465)**	(34,070,180)	**18,408,285**	
Total expenditure	**(323,462,449)**	**(16,260,646)**	**(339,723,095)**	**(309,292,449)**	**30,430,646**	
Operating surplus	**22,241,242**	**9,443,420**	**31,684,662**	**73,797,036**	**42,112,374**	
Loss on disposal of assets and liabilities	-	-	**-**	(818,869)	**(818,869)**	
Fair value adjustments	-	-	**-**	3,576,500	**3,576,500**	
Actuarial gains/losses	-	-	**-**	4,005,157	**4,005,157**	
	-	**-**	**-**	**6,762,788**	**6,762,788**	
Actual Amount on Comparable Basis	**22,241,242**	**9,443,420**	**31,684,662**	**80,559,824**	**48,875,162**	

Material budget differences are disclosed in note 52 - budget variances.

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2022											
Financial Performance											
Property rates	53,381,109	(3,000,000)	50,381,109	-		50,381,109	46,987,086		(3,394,023)	93 %	88 %
Service charges	48,762,339	-	48,762,339	-		48,762,339	56,776,414		8,014,075	116 %	116 %
Investment revenue	4,950,000	550,000	5,500,000	-		5,500,000	10,694,201		5,194,201	194 %	216 %
Transfers recognised - operational	200,339,600	19,958,180	220,297,780	-		220,297,780	219,890,978		(406,802)	100 %	110 %
Other own revenue	1,730,243	1,320,818	3,051,061	-		3,051,061	12,373,356		9,322,295	406 %	715 %
Total revenue (excluding capital transfers and contributions)	**309,163,291**	**18,828,998**	**327,992,289**	**-**		**327,992,289**	**346,722,035**		**18,729,746**	**106 %**	**112 %**
Employee costs	(107,819,048)	(1,250,000)	(109,069,048)	-	-	(109,069,048)	(109,119,850)	-	(50,802)	100 %	101 %
Remuneration of councillors	(14,643,023)	450,000	(14,193,023)	-	-	(14,193,023)	(13,797,605)	-	395,418	97 %	94 %
Debt impairment	(30,635,110)	(4,000,000)	(34,635,110)			(34,635,110)	(20,429,748)	-	14,205,362	59 %	67 %
Depreciation and asset impairment	(32,726,445)	-	(32,726,445)			(32,726,445)	(35,255,935)	-	(2,529,490)	108 %	108 %
Finance charges	(400,000)	(2,603,000)	(3,003,000)	-	-	(3,003,000)	(2,656,611)	-	346,389	88 %	664 %
Materials and bulk purchases	(35,143,294)	(1,500,000)	(36,643,294)	-	-	(36,643,294)	(36,574,524)	-	68,770	100 %	104 %
Other expenditure	(102,095,529)	(7,363,646)	(109,459,175)	-	-	(109,459,175)	(92,277,045)	-	17,182,130	84 %	90 %
Total expenditure	**(323,462,449)**	**(16,266,646)**	**(339,729,095)**	**-**	**-**	**(339,729,095)**	**(310,111,318)**	**-**	**29,617,777**	**91 %**	**96 %**
Surplus/(Deficit)	**(14,299,158)**	**2,562,352**	**(11,736,806)**	**-**		**(11,736,806)**	**36,610,717**		**48,347,523**	**(312)%**	**(256)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	36,540,400	6,875,068	43,415,468	-		43,415,468	43,949,107		533,639	101 %	120 %
Surplus (Deficit) after capital transfers and contributions	**22,241,242**	**9,437,420**	**31,678,662**	**-**		**31,678,662**	**80,559,824**		**48,881,162**	**254 %**	**362 %**
Surplus/(Deficit) for the year	**22,241,242**	**9,437,420**	**31,678,662**	**-**		**31,678,662**	**80,559,824**		**48,881,162**	**254 %**	**362 %**
Capital expenditure and funds sources											
Total capital expenditure	(73,920,399)	(10,359,626)	(84,280,025)	-		(84,280,025)	(63,545,832)		20,734,193	75 %	86 %
Sources of capital funds											
Transfers recognised - capital	(33,540,399)	(9,875,069)	(43,415,468)	-		(43,415,468)	(43,213,455)		202,013	100 %	129 %
Internally generated funds	(40,380,000)	(484,557)	(40,864,557)	-		(40,864,557)	(20,332,377)		20,532,180	50 %	50 %
Total sources of capital funds	**(73,920,399)**	**(10,359,626)**	**(84,280,025)**	**-**		**(84,280,025)**	**(63,545,832)**		**20,734,193**	**75 %**	**86 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	25,161,024	68,172,089	93,333,113	-		93,333,113	90,392,426		(2,940,687)	97 %	359 %
Net cash from (used) investing	(73,920,399)	(29,370,576)	(103,290,975)	-		(103,290,975)	(63,545,832)		39,745,143	62 %	86 %
Net cash from (used) financing	(400,000)	-	(400,000)	-		(400,000)	(844,768)		(444,768)	211 %	211 %
Net increase/ (decrease) in cash and cash equivalents	**(49,159,375)**	**38,801,513**	**(10,357,862)**	**-**		**(10,357,862)**	**26,001,826**		**36,359,688**	**(251)%**	**(53)%**
Cash and cash equivalents at the beginning of the year	-	181,073,835	181,073,835	-		181,073,835	181,979,689		905,854	101 %	DIV/0 %
Cash and cash equivalents at year end	**(49,159,375)**	**219,875,348**	**170,715,973**	**-**		**170,715,973**	**207,981,515**		**(37,265,542)**	**122 %**	**(423)%**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 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

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

The impairment for trade receivables, held to maturity investments 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 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. They are significantly affected by economic factors such as inflation and interest rate.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Payables from exchange transactions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and intangible assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows under GRAP 13 while the government bond rate was used to discount future cash flows under GRAP 25.

Allowance for debt impairment

For 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 receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Going concern - assumption

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

1.3 Investment property

Investment property is property (land or a building - or part of a building) 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.

1.3 Investment property (continued)

Subsequent measurement - 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 municipality 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 municipality 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.

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

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

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

1.4 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. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

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.

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. The cost also include necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

1.4 Property, plant and equipment (continued)

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

Subsequent measurement - cost model (land and buildings)

Subsequent to initial recognition, land and buildings are carried at cost less any subsequent accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Subsequent measurement - cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses.

Where the municipality replaces part of an asset, it derecognises the part of an asset being replaced and capitalises the new component. Subsequent expenditure incurred on a asset is capitalised when it increases the capacity or the future economic benefits associated with the asset.

Depreciation

Depreciation is calculated on a depreciable amount, using the straight line basis over the estimated useful life of items of property, plant and equipment unless depreciation of certain assets is being determined using a method other that the estimated useful life.

Components of assets that are significant in relation to the whole asset and have different useful lives are depreciated separately.

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

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

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

The annual depreciation rates are based on the following estimated average useful lives of items of property, plant and equipment and have been assessed as follows:

Item	Depreciation method	Average useful life in years
Buildings	Straight line	30 years
Infrastructure	Straight line	30 years
Community	Straight line	30 years
Other property, plant and equipment	Straight line	5 to 10 years

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimate, the change is accounted for as a change in accounting estimate. In determining the depreciation change for the current year, the residual value for all assets have been taken into account.

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

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

Derecognition

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

1.4 Property, plant and equipment (continued)

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

1.5 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 municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

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

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

Intangible assets are initially recognised at cost.

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 of acquisition.

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.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	**Useful life**
Computer software	3 years

1.5 Intangible assets (continued)

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

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the statement of financial performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and impairment loss is charged to the statement of financial performance.

Derecognition

Intangible assets are derecognised when the asset is disposed off or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount and is recognised in the statement of financial performance.

1.6 Financial instruments

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

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Call investment deposits	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non- exchange transactions	Financial asset measured at amortised cost
Other receivables	Financial asset measured at fair value

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Other payables	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost

1.6 Financial instruments (continued)

Initial and subsequent measurement

Financial assets

Held-to-maturity Investments and Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at Available-for-Sale are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial assets are recognised on the date they originated for loans and receivables and deposits and for other financial assets, initially on the trade date at which the municipality becomes a party to the contractual provision of the instrument.

Financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of financial assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Initially accounts receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Consumer debtors are stated at cost less a provision for bad debts. The provision is made in accordance with GRAP 104 whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non recoverability.

1.6 Financial instruments (continued)

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

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.

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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

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

1.7 Statutory receivables (continued)

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.

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

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

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.

Any difference between the consideration received and the amounts derecognised is recognised in surplus or deficit.

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 - 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.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Property, plant equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured at the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance costs and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorted of the asset's useful life or the lease term.

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

Operating leases are those leases that do not fall within the scope within the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Operating leases - lessee

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

1.9 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.

1.9 Inventories (continued)

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

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

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

Redundant and obsolete inventories identified and written down from cost to net realisable value with regards to their estimated economic or realisable values. Consumables are written down with regards to their age, condition and utility.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period. 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:
- 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.

1.10 Impairment of cash-generating assets (continued)

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.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

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.

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.

Cash-generating units

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

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

1.10 Impairment of cash-generating assets (continued)

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

Reversal of impairment loss

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

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.11 Employee benefits

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

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

Post-employment benefits

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

Post-employment benefit plans are formal or informal arrangements under which a 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.

1.11 Employee benefits (continued)

Multi-employer plans and/or State plans and/or Composite social security programmes

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 accounts 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 a entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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

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

1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. 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) on retirement, is entitled to remain a continued member of the medical aid fund in which case the municipality is liable for a certain portion of the medical aid membership fee.

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

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

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

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

Accounting Policies

1.11 Employee benefits (continued)

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.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a 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, a 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-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is 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.

Accounting Policies

1.11 Employee benefits (continued)

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.

Long-term service awards

The municipality has an obligation to provide long term service awards to all if its employees who have been in service of the municipality for a certain period of time. According to the rules of the long-term service allowance scheme, which the municipality has instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5,10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liability. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

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.

1.11 Employee benefits (continued)

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.

1.12 Provisions and contingencies

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

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

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

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

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

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

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 expenditure.

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

1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when the municipality:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a 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 44 unless the possibility of an outflow or resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefit is probable.

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.

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.

1.12 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:
- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.13 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.

Service charges relating to electricity are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Revenue from the sale of tender documents is recognised at the point of sale.

1.13 Revenue from exchange transactions (continued)

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

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

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

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

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends 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.

1.14 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.

Fines are economic benefits or service potential received or receivable by municipalities, 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.

1.14 Revenue from non-exchange transactions (continued)

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

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

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

Recognition

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

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

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.

Taxes

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

Resources arising from property rates satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

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

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

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

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

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.

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

1.14 Revenue from non-exchange transactions (continued)

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 settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by the debtors.

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.

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by an property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Accounting Policies

1.15 Value-added tax

The municipality accounts for value-added tax (VAT) on the payment basis.

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with section 15(2) of the VAT Act (Act no. 89 of 1991).

1.16 Comparative figures

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

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

1.17 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No.56 of 2003) and includes:
- overspending of of the total amount appropriated in the municipality's approved budget;
- 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.
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose,otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b),(c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation;or a grant by the municipality in accordance with the Municipal Finance Management Act.

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.

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

1.18 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.

1.19 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-

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.

1.20 Accumulated surplus

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution (Number C30 dated 17.10.2012).

These transfers from the net surplus may only be made if they are backed by cash. The amount transferred to CRR is based on the municipality's need to finance future capital progress included in the integrated development plan. The following provisions are set for the creation and utilisation of the CRR:

- the cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- interest earned on the CRR investment is recorded as part of the total interest earned in the statement of financial performance
- the CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for maintenance of these items.
- whenever an asset is purchased out of CRR, an amount equal to the cost price of the asset purchased is transferred from the CRR into a future depreciation reserve called the Capitalisation Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the CRR. The Capitalisation Reserve is used to offset depreciation charged on assets purchased out of the CRR to avoid double taxation of the consumers.
- if a gain is made on the sale of assets previously purchased out of the CRR, the gain on these assets sold is reflected in the statement of financial performance.

Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

Provisions are set out for the creation and utilisation of the Housing Development Fund. The Housing Development Fund is cash- backed, and invested in accordance with the investment policy of the municipality.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

Donations and public contributions reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/deficit.

1.20 Accumulated surplus (continued)

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

1.21 Budget information

Municipality is 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.

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

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

The annual financial statements and the budget are on the same basis of accounting.

1.22 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.

Accounting Policies

1.22 Related parties (continued)

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.

1.23 Events after the reporting date

The municipality has carefully considered whether events occurring between the Statement of Financial Position date and the date of approval should be reflected in the annual financial statements. Events after the reporting period (or 'post Statement of Financial Position events') are either adjusting events or non-adjusting events.

Adjusting events provide further evidence of conditions that existed at the statement of financial position date and the carrying amounts of assets and liabilities at the statement of financial position date are adjusted for such events. Non-adjusting events relate to conditions that arose after the statement of financial position date and should be disclosed.

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

1.24 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.

1.25 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.26 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.

1.27 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).

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 an 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.

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.

1.28 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.

Measurement

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

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

1.29 Transfers and subsidies

Transfers and subsidies include all unrequited payments made by the municipality. A payment is unrequited provided that the municipality does not receive anything of similar value directly in return for the transfer to the other party.

Transfers and subsidies are recognised in the Statement of Financial Performance as expenses in the period in which the events giving rise to the transfer occurred.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 108: Statutory Receivables	01 April 2019	The impact of the Standard is not material.

2.2 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:
• GRAP 25 (as revised): Employee Benefits	No effective date set	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	No effective date set	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

3. Inventories

	2022	2021
Consumable stores	566,658	665,866
Maintenance materials	240,463	197,895
	807,121	**863,761**

	2022	2021
Consumable stores		
Opening balance	665,866	770,383
Additions	618,941	728,815
Issued/(expensed)	(718,149)	(833,332)
	566,658	**665,866**

	2022	2021
Maintenance materials		
Opening balance	197,895	209,286
Additions	374,886	71,027
Issued/(expensed)	(332,318)	(82,418)
	240,463	**197,895**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

4. Receivables from exchange transactions

	2022	2021
Gross balances		
Electricity	9,856,137	6,418,976
Refuse	52,636,492	46,545,827
Accrued investment income	3,721,082	1,016,319
	66,213,711	**53,981,122**
Less: Allowance for impairment		
Electricity	(5,608,571)	(3,366,199)
Refuse	(50,266,371)	(40,539,601)
	(55,874,942)	**(43,905,800)**
Net balance		
Electricity	4,247,566	3,052,777
Refuse	2,370,121	6,006,226
Accrued investment income	3,721,082	1,016,319
	10,338,769	**10,075,322**
Electricity		
Current (0 -30 days)	3,817,774	3,115,417
31 - 60 days	700,211	(2,514)
61 - 90 days	185,060	179,924
91 - 120 days	1,753,544	103,694
121 - 365 days	474,685	768,759
> 365 days	2,924,863	2,253,695
Impairment	(5,608,571)	(3,366,198)
	4,247,566	**3,052,777**
Refuse		
Current (0 -30 days)	959,121	1,542,851
31 - 60 days	832,051	(21,696)
61 - 90 days	800,839	650,706
91 - 120 days	788,829	639,032
121 - 365 days	1,558,519	5,303,824
> 365 days	47,697,133	38,431,110
Impairment	(50,266,371)	(40,539,601)
	2,370,121	**6,006,226**
Accrued investment income		
Current (0 -30 days)	3,721,082	1,016,319

Figures in Rand	2022	2021

5. Receivables from non-exchange transactions

Gross balances		
Interest	35,695,747	33,862,837
Other receivables from non-exchange transactions (not aged)	928,258	639,881
	36,624,005	**34,502,718**

Other receivables from non-exchange transactions (not aged) comprises of:

Other receivables	682,688	394,311
Postage deposit	10,000	10,000
Rental deposits	235,570	235,570
	928,258	**639,881**

Less: Non-exchange transactions impairment		
Interest	(33,145,791)	(30,599,085)
Other	(422,428)	(422,428)
	(33,568,219)	**(31,021,513)**

Net balances		
Interest	2,549,956	3,263,752
Other	505,830	217,453
	3,055,786	**3,481,205**

Interest		
Current (0 -30 days)	295,381	402,712
31 - 60 days	283,428	261,034
61 - 90 days	285,951	588,271
91 - 120 days	285,743	754,117
121 - 365 days	563,479	2,459,230
> 365 days	33,981,765	29,397,473
Less: Impairment	(33,145,791)	(30,599,085)
	2,549,956	**3,263,752**

Other		
Receivables not aged	928,258	639,881
Less: Impairment	(422,428)	(422,428)
	505,830	**217,453**

Total		
Current (0 -30 days)	1,223,639	1,042,592
31 - 60 days	283,428	261,034
61 - 90 days	285,951	588,271
91 - 120 days	285,743	754,117
121 - 365 days	563,480	2,459,230
> 365 days	33,981,764	29,397,474
	36,624,005	34,502,718
Less: Impairment	(33,568,219)	(31,021,512)
	3,055,786	**3,481,206**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

5. Receivables from non-exchange transactions (continued)

Households		
Current (0 -30 days)	3,748,016	3,450,841
31 - 60 days	(16,454)	232,249
61 - 90 days	1,701,561	1,785,471
91 - 120 days	1,698,962	1,890,679
121 - 365 days	13,904,857	11,090,752
> 365 days	111,600,717	104,071,697
Less: Impairment	(126,872,601)	(110,533,445)
	5,765,058	**11,988,244**
Industrial/Commercial		
Current (0 -30 days)	4,240,190	4,361,333
31 - 60 days	(1,628)	12,358
61 - 90 days	619,904	342,085
91 - 120 days	1,964,097	274,915
121 - 365 days	5,175,633	6,899,797
> 365 days	15,765,270	14,404,907
Less: Impairment	(21,421,078)	(16,783,005)
	6,342,388	**9,512,390**
National/Provincial Government		
Current (0 -30 days)	14,958	(117,513)
31 - 60 days	(567,918)	26,801
61 - 90 days	172,196	268,133
91 - 120 days	266,453	289,612
121 - 365 days	5,914,200	5,527,715
> 365 days	15,149,268	10,808,914
Less: Impairment	(7,478,243)	(11,408,519)
	13,470,914	**5,395,143**
Provision for Impairment		
Current (0 -30 days)	(1,812,228)	(3,156,759)
31 - 60 days	(98,233)	(86,439)
61 - 90 days	(818,406)	(720,145)
91 - 120 days	(847,427)	(745,682)
121 - 365 days	(2,890,766)	(5,818,875)
> 365 days	(150,648,127)	(129,285,518)
	(157,115,187)	**(139,813,418)**

Reconciliation of allowance for impairment for receivables

Opening balance	(139,813,418)	(200,134,297)
Contribution for bad debt	(17,301,769)	60,320,879
	(157,115,187)	**(139,813,418)**

Figures in Rand	2022	2021

6. Statutory receivables

Statutory receivables general information

Gross balances		
Rates	84,690,309	78,793,108
Fines	2,009,208	920,838
	86,699,517	**79,713,946**
Less: Allowance for impairment		
Rates	(66,752,189)	(64,220,085)
Fines	(920,838)	(666,022)
	(67,673,027)	**(64,886,107)**
Net balances		
Rates	17,938,120	14,573,023
Fines	1,088,370	254,816
	19,026,490	**14,827,839**
Rates		
Current (0 -30 days)	662,182	2,633,681
31 - 60 days	865,663	34,586
61 - 90 days	1,302,151	976,789
91 - 120 days	1,161,350	958,363
121 - 365 days	2,051,708	14,986,451
> 365 days	78,647,255	59,203,238
Less: Impairment	(66,752,189)	(64,220,085)
	17,938,120	**14,573,023**
Fines		
Not aged	2,009,208	920,838
Less: Impairment	(920,838)	(666,022)
	1,088,370	**254,816**
Total		
Current (0 -30 days)	2,672,090	3,554,519
31 - 60 days	865,663	34,586
61 - 90 days	1,302,151	976,789
91 - 120 days	1,161,350	958,363
121 - 365 days	2,051,708	14,986,451
> 365 days	78,646,555	59,203,238
Less: Impairment	(67,673,027)	(64,886,107)
	19,026,490	**14,827,839**

6. Statutory receivables (continued)

Transactions arising from statute

The following prescripts authorise the municipality to charge and collect funds to fund its mandate. The resulting receivables are therefore classified as statutory receivables and are disclosed as such as per GRAP 108 Statutory Receivables:

- Section 229(1) of the Constitution of the Republic of South Africa;
- Municipal Properties Rates Act; and
- Administrative Adjudication of Road Traffic Offences Act.

Determination of transaction amount

The municipality initially measures statutory receivables at their transaction amount. The transaction amount for the purposes of GRAP 108 Statutory Receivables means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

7. VAT receivable

VAT	1,788,995	6,592,955

The municipality is registered for VAT with SARS on payment basis. This means that the municipality can only claim input or declare output VAT from SARS (depending on the type of supply) based on the payments made to creditors and actual cash receipts/collections from debtors respectively. However, for financial reporting purposes the municipality reports on accrual basis of accounting. VAT receivable balance as per these Annual Financial Statements reflects actual VAT receivable from SARS statement of account and, deferred tax asset and liabilities on outstanding payments to creditors and outstanding collections from debtors as at reporting date, respectively.

VAT Receivable [Payment basis]	3,559,174	2,901,302
Add: Deferred VAT on liabilities	1,128,123	1,273,530
Less: Deferred VAT on receivables	(2,898,302)	(1,273,233)
Add: VAT refunds relating to prior years	-	3,691,356
	1,788,995	**6,592,955**

VAT Receivable is VAT receivable from SARS as at reporting date.

Deferred VAT asset and liability disclosed is VAT not yet claimable and payable to SARS as at reporting date. These balances arise from input and output VAT transactions on outstanding creditors and debtors as at reporting date, respectively.

Figures in Rand	2022	2021

8. Call and investments deposits

Call investment deposits consist of deposits and conditional grants that are ringfenced to be cash backed.

	2022	2021
Nedbank - Mandeni branch -		
Call investment deposits		
Account number - 23581136/9998		
Cash book balance	-	1,892,394
Bank statement balance	-	1,892,394
Nedbank - Mandeni branch		
Call investment deposits		
Account number - 037881155450 000020		
Cash book balance	65,000,000	-
Bank statement balance	65,000,000	-
First National Bank - Mandeni branch -		
Call investment deposits		
Account number - C061294217372		
Cash book balance	14,084,602	36,146,884
Bank statement balance	14,084,602	37,646,884
First National Bank - Mandeni branch -		
Call investment deposits		
Account number - C062028673219		
Cash book balance	1,877,573	1,825,991
Bank statement balance	1,877,573	1,825,991
First National Bank - Mandeni branch -		
Call investment deposits		
Account number - C062812286400		
Cash book balance	(152,378)	1,713,928
Bank statement balance	24,080	2,239,306
First National Bank - Mandeni branch -		
Call investment deposits		
Account number - C062252919471		
Cash book balance	-	615
Bank statement balance	-	615
First National Bank - Mandeni branch -		
Call investment deposits		
Account number - C062113325882		
Cash book balance	280,655	247,915
Bank statement balance	280,655	247,915
Standard Bank - Mandeni branch -		
Call investment deposits		
Account number - 068637527003		
Cash book balance	-	1,717,624
Bank statement balance	-	1,717,624
First National Bank - Mandeni branch -		
Call investment deposits		
Account number - C062527527462		
Cash book balance	2,874,430	1,978,787
Bank statement balance	2,874,430	1,499,861

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
8. Call and investments deposits (continued)		
First National Bank - Mandeni branch -		
Call investment deposits		
Account number - C062538203449		
Cash book balance	3,715,886	4,116,775
Bank statement balance	3,715,886	4,116,775
Nedbank - Mandeni branch		
Call investment deposits		
Account number - 037881155450 000018		
Cash book balance	50,000,000	-
Bank statement balance	50,000,000	-
First National Bank - Mandeni branch		
Call investment deposits -		
Account number - C062812286963		
Cash book balance	6,181,133	6,432,922
Bank statement balance	6,285,161	6,432,923
Standard Bank - Mandeni branch -		
Call investment deposits		
Account number - 068637527005		
Cash book balance	-	65,000,000
Bank statement balance	-	65,000,000
Nedbank - Mandeni branch - Call Investment deposit		
Account number - 037881155450 015		
Cash book balance	30,000,000	30,000,000
Bank statement balance	30,000,000	30,000,000
Nedbank - Mandeni branch - Call Investment deposit		
Account number - 037881155450 019		
Cash book balance	30,000,000	30,000,000
Bank statement balance	30,000,000	30,000,000
Cash book balance	**203,861,901**	**181,073,835**

Split between current and non-current portions		
Current assets	138,861,901	181,073,835
Non-current assets	65,000,000	-
	203,861,901	**181,073,835**

8. Call and investments deposits (continued)

The following call investment deposits have no restrictions on the use of funds:

- Nedbank - Mandeni branch - Call investment deposits
  Account number - 23581136/9998
- Standard Bank - Mandeni branch - Call investment deposits
  Account number - 068637527002
- Standard Bank - Mandeni branch - Call investment deposits
  Account number - 068637527003
- First National Bank - Mandeni branch - Call investment deposits
  Account number - C061294217372
- First National Bank - Mandeni branch - Call investment deposits
  Account number - C062113325882
- Standard Bank - Mandeni branch - Call investment deposits
  Account number - 068637527003
- First National Bank - Mandeni branch - Call investment deposits
  Account number - C062538203449
- Standard Bank - Mandeni branch - Call investment deposits
  Account number - 039971847
- Standard Bank - Mandeni branch - Call investment deposits
  Account number - 068637527005.
- Nedbank - Mandeni branch - Call investment deposits
  Account number - 037881155450 015.
- Nedbank - Mandeni branch - Call investment deposits
  Account number - 037881155450 019.
- Nedbank - Mandeni branch - Call investment deposits
  Account number - 037881155450 018
- Nedbank - Mandeni branch - Call investment deposits
  Account number - 037881155450 020

8. Call and investments deposits (continued)

The following call investment deposits have the following restrictions on the use of funds:

- First National Bank - Mandeni branch - Call investment deposits
  Account number - C062028673219:
  This account may only be used for housing related expenditure.

- First National Bank - Mandeni branch - Call investment deposits
  Account number - C062812286400:
  This account may only be used for MIG expenditure.

- First National Bank - Mandeni branch - Call investment deposits
  Account number - C062252919471:
  This account may only be used for Neighbourhood Development Program expenditure.

- First National Bank - Mandeni branch - Call investment deposits
  Account number - C062812286963
  This account may only be used for housing title deeds.

- First National Bank - Mandeni branch - Call investment deposits
  Account number - C062527527462
  This account may only be used for electrification programmes.

Included in the amounts above are capital grants. See note 16 for additional information.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2022	2021
Cash on hand	1,233	3,739
Bank balances	4,118,381	902,115
	4,119,614	**905,854**

10. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	88,163,500	-	88,163,500	84,587,000	-	84,587,000

Reconciliation of investment property - 2022

	Opening balance	Additions	Disposals	Fair value adjustments	Total
Investment property	84,587,000	-	-	3,576,500	88,163,500

Reconciliation of investment property - 2021

	Opening balance	Additions	Disposals	Transfers	Fair value adjustments	Total
Investment property	70,116,000	-	-	(1,490,000)	15,961,000	84,587,000

10. Investment property (continued)

Pledged as security

No items of investment property have been pledged as security.

Details of valuation

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

Fair value of investment properties		
Portion 6 of Farm Lot 5 Ca No. 8440	30,000	30,000
Lot 56 of Padianager	60,000	58,000
Lot 1203 of Mandeni - Aloe Road	49,000	47,000
Lot 571 of Mandeni - Anderson Road	250,000	240,000
Lot 504 of Mandeni - Matthews Road	1,730,000	1,670,000
Lot 327 of Mandeni - Greig Road	620,000	600,000
Lot 1466 of Mandeni - Aloe Road	302,000	290,000
Portion 4 of Farm Lot 13 Tugela No. 13862	780,000	750,000
The Farm Lot 5 Ca No. 8440	1,450,000	1,400,000
Remainder of Farm Lot 30 Inyoni No. 13890	55,400,000	53,000,000
Lot 1340 of Mandeni	43,500	42,000
Lot 1018 of Mandeni	220,000	210,000
Lot 175 of Padianagar	140,000	135,000
Lot 48 Tugela Mouth	280,000	270,000
Portion 6 Lot 9901 Newark no. 2621	1,300,000	1,270,000
Various lots Padianagar	4,102,500	3,949,000
Various lots Tugela	458,000	442,000
Various lots Tugela Ext 3	1,564,000	1,505,000
Various lots Tugela Ext 7	330,000	320,000
Various lots Tugela Ext 8	19,054,500	18,359,000
	88,163,500	**84,587,000**

Investment properties transferred

The following investment properties were transferred by the municipality from investment property to property, plant and equipment because the municipality is planning to build a drivers licence testing centre on those lots. The buildings and lots are to be used for administrative purposes and therefore recognised as property, plant and equipment.

Lot 1410 Mandeni Ext 8	-	190,000
Lot 1411 Mandeni Ext 8	-	180,000
Lot 1412 Mandeni Ext 8	-	130,000
Lot 1422 Mandeni Ext 8	-	990,000
	-	**1,490,000**

Figures in Rand	2022	2021

11. 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	19,890,000	-	19,890,000	19,890,000	-	19,890,000
Buildings	35,327,302	(3,554,299)	31,773,003	29,568,940	(2,732,173)	26,836,767
Infrastructure	511,243,381	(191,025,834)	320,217,547	487,894,373	(174,563,277)	313,331,096
Community	98,822,147	(25,574,902)	73,247,245	89,001,169	(22,470,631)	66,530,538
Other property, plant and equipment	62,804,862	(23,144,702)	39,660,160	48,937,207	(20,054,954)	28,882,253
Total	**728,087,692**	**(243,299,737)**	**484,787,955**	**675,291,689**	**(219,821,035)**	**455,470,654**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	WIP Transferred	Disposals	Depreciation	Impairment loss	Total
Land	19,890,000	-	-	-	-	-	19,890,000
Buildings	26,836,767	9,010,450	(3,252,088)	-	(822,126)	-	31,773,003
Infrastructure	313,331,096	69,463,682	(35,462,828)	-	(23,584,320)	(3,530,083)	320,217,547
Community	66,530,538	15,857,135	(6,036,158)	-	(3,104,270)	-	73,247,245
Other property, plant and equipment	28,882,253	15,614,639	-	(731,912)	(4,104,820)	-	39,660,160
	455,470,654	**109,945,906**	**(44,751,074)**	**(731,912)**	**(31,615,536)**	**(3,530,083)**	**484,787,955**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	WIP Transferred	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	18,400,000	-	-	-	1,490,000	-	-	19,890,000
Buildings	24,428,498	4,380,308	(869,763)	(348,451)	-	(728,825)	(25,000)	26,836,767
Infrastructure	309,087,970	56,989,565	(29,953,612)	(2,252)	-	(22,137,017)	(653,558)	313,331,096
Community	62,095,564	10,407,389	(1,036,283)	(145,176)	-	(3,022,729)	(1,768,227)	66,530,538
Other property, plant and equipment	22,085,675	11,357,838	-	(1,153,890)	-	(3,407,370)	-	28,882,253
	436,097,707	**83,135,100**	**(31,859,658)**	**(1,649,769)**	**1,490,000**	**(29,295,941)**	**(2,446,785)**	**455,470,654**

Figures in Rand	2022	2021

11. Property, plant and equipment (continued)

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Re-alignment of Thokoza Road to P415 - Street lighting Project was partially commissioned in 2018/19. Only the streetlights were not commissioned as they were not complete at the time. This project is planned to be commissioned during the 2022-2023 Financial Year	2,160,034	2,160,034
Nyoni Phase 4 Taxi Routes DWS has issued the WULA and PSP has been appointed by the Municipality to oversee the implementation of Nyoni Phase 4 Taxi Routes on the 17th of August 2022. The project will go out on tender upon the approval of the detail designs by the Technical Department.	3,853,905	-
Nyoni Phase 3A - Underpass & Intersection The project is 90% complete as at 30 June 2022. The underpass requires lighting, stormwater, palisade fencing, handrails and kerbing.	6,283,246	-
	12,297,185	**2,160,034**

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	33,426,458	10,634,701	5,227,270	49,288,429
Transfers	1,225,342	(1,225,342)	-	-
Additions/capital expenditure	31,932,974	9,392,469	5,820,242	47,145,685
WIP impaired	(2,020,782)	-	-	(2,020,782)
Transferred to completed items	(35,462,828)	(6,036,158)	(3,252,088)	(44,751,074)
	29,101,164	**12,765,670**	**7,795,424**	**49,662,258**

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	37,454,398	4,254,483	2,611,488	44,320,369
Additions/capital expenditure	26,575,852	9,184,728	3,510,545	39,271,125
WIP impaired	(650,179)	(1,768,227)	(25,000)	(2,443,406)
Transferred to completed items	(29,953,613)	(1,036,283)	(869,763)	(31,859,659)
	33,426,458	**10,634,701**	**5,227,270**	**49,288,429**

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		
Buildings	332,252	-
Infrastructure	3,984,594	4,052,614
Community	7,199,106	5,747,808
Other property, plant and equipment	692,340	632,064
	12,208,292	**10,432,486**

12. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,678,382	(1,201,529)	476,853	1,765,338	(1,091,213)	674,125

Reconciliation of intangible assets - 2022

	Opening balance	Disposals	Amortisation	Total
Computer software	674,125	(86,956)	(110,316)	476,853

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	779,811	(105,686)	674,125

Pledged as security

No items of intangible assets were pledged as security.

13. Finance lease obligation

	2022	2021
Minimum lease payments due		
- within one year	236	55,880
- in second to fifth year inclusive	-	236
Present value of minimum lease payments	**236**	**56,116**
Present value of minimum lease payments due		
- within one year	13,719	896,351
- in second to fifth year inclusive	-	13,719
	13,719	**910,070**
Non-current liabilities	-	13,719
Current liabilities	13,719	896,351
	13,719	**910,070**

The average lease term is 3 years and the average effective borrowing rate is 10.5%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased assets.

In May 2017, the municipality entered into a 60 months instalment sale agreement with Wesbank for 10 vehicles, the contract term ended in May 2022. Further to that in September 2017, the municipality entered into another 60 months instalment sale agreement with Westbank for 2 additional vehicles, the contract ends in September 2022.

Figures in Rand	2022	2021

14. Payables from exchange transactions

Trade payables	7,334,012	8,585,550
Retention	7,459,054	4,979,623
Other payables	1,629,378	1,190,062
Unallocated deposits	2,022,917	1,958,519
Leave accrual	11,951,569	12,237,779
Bonus accrual	2,280,017	3,227,412
	32,676,947	32,178,947
Cashier's collections	(185,387)	(39,861)
	32,491,560	**32,139,086**

15. Consumer deposits

Electricity	269,853	290,048

No guarantees are held in lieu of Electricity Deposits.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Library KZNPA grant	119	119
Sport and recreation grant	57,961	57,961
MIG	-	1,717,107
Housing Title Deed grant	5,772,607	6,206,810
Scheme Support Grant	-	43,035
INEP grant	2,874,433	2,039,230
Equitable share - COVID-19 grant	-	20,015,145
	8,705,120	**30,079,407**

Movement during the year

Balance at the beginning of the year	30,079,407	26,216,907
Additions during the year	242,105,798	51,192,741
Income recognition during the year	(263,480,085)	(47,330,241)
	8,705,120	**30,079,407**

See note 26 for reconciliation of grants from and receipts.

The capital grants are invested in a ring-fenced investment until utilised. See note 8 for additional information.

17. Employee benefit obligations

Post retirement medical benefit plan

The municipality provides 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 these employees.

The municipality operated on five accredited medical aid schemes, namely Keyhealth, LA Health, SAMWU, Bonitas and Hosmed.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022 by 1Pangaea Expertise Solutions. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

Multi-employer pension funds

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the pension fund for municipal councillors.

Employees belong to a variety of approved pension and provident funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:
(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided in sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

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

	2022	2021
Carrying value		
Present value of the defined benefit obligation-partly or wholly funded	(22,795,217)	(23,593,831)

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

	2022	2021
Opening balance	18,696,772	15,826,554
Net expense recognised in the statement of financial performance	(694,025)	2,870,218
	18,002,747	**18,696,772**

Figures in Rand	2022	2021

17. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

	2022	2021
Current service cost	1,211,001	1,026,308
Interest cost	2,201,962	2,180,939
Benefits paid	(509,766)	(362,732)
Actuarial (gains) losses	(3,597,222)	25,703
	(694,025)	**2,870,218**

Key assumptions used

Assumptions used at the reporting date:

	2022	2021
Expected retirement age	63	63
Discount rates used	12.27 %	8.65 %
Medical cost trend rates	9.28 %	8.74 %
Consumer price inflation	7.78 %	5.45 %
Net effective discount rate	2.74 %	2.07 %

Percentage of in-service members withdrawing before retirement

	Female	Male
Age 20 - 24	16.0 %	24.0 %
Age 25 - 29	12.0 %	18.0 %
Age 30 - 34	10.0 %	15.0 %
Age 35 - 40	8.0 %	10.0 %
Age 40 - 44	6.0 %	6.0 %
Age 45 - 49	4.0 %	4.0 %
Age 50 - 54	2.0 %	2.0 %
Age 55 - 59	1.0 %	1.0 %
Age 60+	- %	- %

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. The discount rate at 30 June 2022 is 12.27% which represents the average yield from the zero coupon government bond curve over a 15 to 20 year term.

Salary Inflation Rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement.

General Salary Inflation: This assumption is more stable relative to the growth in consumer Price Index (CPI) than in the absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The implied inflation assumption is 7.78% per annum which represents the market's pricing of inflation by comparing the yields on index linked government bonds and long term government bonds with a duration of 15 to 20 years, adjusting for an inflation risk premium of 1% per annum.

It has been assumed that the next salary increase will take place on 1 July 2022.

The next contribution increase was assumed to occur with effect from 1 January 2022.

17. Employee benefit obligations (continued)

Replacement ratio: This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Long service awards and retirement gifts

The independent valuers, 1Pangaea Expertise Solutions, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

	2022	2021
Discount rate per annum	10.93 %	8.65 %
General salary inflation (long term)	8.24 %	6.45 %
Net effective discount rate	2.49 %	2.07 %

Examples of mortality rates used were as follows:

	2022	2021
Average retirement age	63	63
Mortality during employment	SA 85-90	

Membership summary

	2022	2021
Number of members	250	261
Average age of members (years)	41.12	41.05
Average past service (years)	8.58	8.48
Average salary (annual)	286,601	300,54

Benefit Structure

Service years	Award (Number of days)	Award (Number of days)
5	5	5
10	10	10
15	20	20
20	30	30
25	30	30
30	30	30
35	30	30
40	30	30
45	30	30

Figures in Rand	2022	2021

17. Employee benefit obligations (continued)

Movement in the defined benefit obligation is as follows:

	2022	2021
Balance at beginning of the year	4,897,059	3,638,565
Current service cost	540,870	408,225
Interest cost	396,188	328,312
Expected benefit payments	(633,712)	(163,101)
Recognised actuarial (gains) / losses	(407,935)	685,058
Balance at end of year	**4,792,470**	**4,897,059**

The amounts recognised in the Statement of Financial Performance were as follows:

	2022	2021
Current service cost	540,870	408,225
Interest cost	396,188	328,312
Benefit payment	(633,712)	(163,101)
Actuarial (gains) / loss	(407,935)	685,058
	(104,589)	**1,258,494**

In conclusion:

	2022	2021
Statement of Financial Position obligation for		
Long service award liability	4,792,470	4,897,059
Retirement benefit liability	18,002,747	18,696,772
	22,795,217	**23,593,831**

	2022	2021
Statement of Financial Performance obligation for		
Long service award expense	104,589	(1,258,494)
Retirement benefit expense	694,025	(2,870,218)
	798,614	**(4,128,712)**

Key assumptions used

In estimating the liability for long service awards (LSA) a number of assumptions are required. GRAP 25 statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA - this is determined by the actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. The discount rate is 8.89% which represents the average yield from the zero coupon government bond curve over nine years which is consistent with the cash flow weighted average of the liabilities of nine years.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

18. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus

	Revaluation reserve	Public contributions reserve	Accumulated surplus	Total
Balance at 01 July 2020	**151,731,208**	**50,941,129**	**391,172,249**	**593,844,586**
Surplus for the year	-	-	74,446,146	74,446,146
Prior year adjustments	-	-	3,204,789	3,204,789
Reserves	-	-	44,587	44,587
Restated balance at 01 July 2021	**151,731,208**	**50,941,129**	**468,867,771**	**671,540,108**
Surplus for the year	-	-	80,559,824	80,559,824
Reserves	-	-	51,583	51,583
Balance at 30 June 2022	**151,731,208**	**50,941,129**	**549,479,178**	**752,151,515**

19. Revenue

	2022	2021
Service charges	56,776,414	43,822,143
Rental of facilities and equipment	324,595	332,926
Licences and permits	791,212	800,166
Other income	825,358	1,010,655
Interest received - external investments	10,694,201	7,469,834
Property rates	43,599,893	50,869,922
Property rates - penalties imposed	3,387,193	4,084,279
Government grants and subsidies	263,840,085	251,779,560
Fines	1,201,534	281,183
Donations received	1,649,000	-
	383,089,485	**360,450,668**

	2022	2021
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	56,776,414	43,822,143
Rental of facilities and equipment	324,595	332,926
Licences and permits	791,212	800,166
Other income	825,358	1,010,655
Interest received - external investment	10,694,201	7,469,834
	69,411,780	**53,435,724**

	2022	2021
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	43,599,893	50,869,922
Property rates - penalties imposed	3,387,193	4,084,279
Transfer revenue		
Government grants and subsidies	263,840,085	251,779,560
Fines	1,201,534	281,183
Donated assets income	1,649,000	-
	313,677,705	**307,014,944**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

20. Service charges

Sale of electricity	45,958,290	34,671,837
Refuse removal	10,818,124	9,150,306
	56,776,414	**43,822,143**

21. Rental of facilities and equipment

Premises		
Hall hire	113,655	62,570
Municipal properties	174,976	232,322
Stalls rental	35,965	38,035
	324,596	**332,927**

22. Licences and permits

Drivers licences	13,043	12,000
Business licences	9,395	22,166
Learners licences	768,774	766,000
	791,212	**800,166**

23. Other income

Building plan fees	53,902	62,316
Sundry income	387,070	741,983
Connection fees	75,331	95,126
Photocopier charges	56,981	26,557
Rates clearance certificates	27,342	20,956
Town planning fees	37,694	34,858
Escort fees	187,038	28,859
	825,358	**1,010,655**

24. Investment revenue

Interest revenue		
Bank and call deposits	10,694,201	7,469,834

Figures in Rand	2022	2021

25. Property rates

Rates received

Residential	17,403,438	15,732,982
Commercial	26,645,475	25,714,310
State	11,194,093	17,618,437
Less: Rebates	(11,643,113)	(8,195,807)
	43,599,893	50,869,922
Property rates - penalties imposed	3,387,193	4,084,279
	46,987,086	**54,954,201**

Valuations

Residential	1,147,644,000	1,183,907,000
Commercial	375,176,000	342,426,000
Industrial	127,837,000	122,137,000
Industrial Estate Special	855,622,000	853,972,000
Mining	15,000,000	2,100,000
Agricultural	387,217,000	420,060,000
Municipal	137,961,000	137,961,000
Public Services Infrastructure	20,343,000	11,040,000
Public Benefit Organisation	49,903,000	47,734,000
Vacant land	114,227,800	43,964,800
State Trust land	446,500,000	428,800,000
Public Services Purposes	422,300,000	439,500,000
Place of Worship	15,030,000	25,669,000
	4,114,760,800	**4,059,270,800**

Commercial includes industrial, mining and agriculture.

State includes institutional and public services infrastructure.

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The following are the rates randage that were applied to the valuations in respect of the various categories:

Residential	0.0147	0.0140
Commercial	0.0250	0.0238
Industrial	0.0250	0.0238
Industrial Estate Special	0.0250	0.0238
Mining	0.0250	0.0238
Agriculture	0.0037	0.0035
Public Service Infrastructure	0.0037	0.0035
State	0.0234	0.0223
State Trust land	0.0186	0.0177
Vacant land	0.0234	0.0223
Place of worship	0.0234	0.0223
Public benefit organisation	0.0234	0.0223

All residential property owners are exempt from paying rates on the first R15,000 value of property. All pensioners, the disabled and medically boarded owners are eligible for the rebates.

26. Government grants and subsidies

	2022	2021
Operating grants		
Equitable share	191,149,220	181,342,000
Finance Management Grant	1,850,000	2,345,779
Equitable share - COVID-19	20,015,155	17,044,855
Scheme Support Grant	-	447,880
Library grant	4,214,000	6,219,113
Municipal Disaster Relief Grant	-	393,191
EPWP Grant	2,435,000	2,387,000
LGSETA	227,603	134,901
	219,890,978	**210,314,719**
Capital grants		
Municipal Infrastructure Grant	43,949,107	41,464,841
	263,840,085	**251,779,560**

EPWP Grant

	2022	2021
Current-year receipts	2,435,000	2,387,000
Conditions met - transferred to revenue	(2,435,000)	(2,387,000)
	-	**-**

Poverty alleviation programme.

Municipal Infrastructure Grant

	2022	2021
Balance unspent at beginning of year	1,717,107	15,785,947
Current-year receipts	42,232,000	34,719,000
Conditions met - transferred to revenue	(43,949,107)	(41,464,840)
Rollover funds withheld by National Treasury	-	(7,323,000)
	-	**1,717,107**

This grant is used to construct roads infrastructure and related community projects.

Sports and Recreation Grant

	2022	2021
Balance unspent at beginning of year	57,961	57,961

Conditions still to be met - remain liabilities (see note 16).

To pay salaries and facility refurbishment.

Scheme Support Grant

	2022	2021
Balance unspent at beginning of year	43,035	490,914
Repayment of unspent grant	(43,035)	(447,879)
	-	**43,035**

Software for improving building plans.

26. Government grants and subsidies (continued)

Finance Management Grant

	2022	2021
Balance unspent at beginning of year	-	445,779
Current-year receipts	1,850,000	1,900,000
Conditions met - transferred to revenue	(1,850,000)	(2,345,779)
	-	**-**

Capacity building for the Budget and Treasury Office.

LGSETA

	2022	2021
Current-year receipts	227,603	134,901
Conditions met - transferred to revenue	(227,603)	(134,901)
	-	**-**

Capacity building for the municipality.

Library Grant

	2022	2021
Balance unspent at beginning of year	119	2,190,232
Current-year receipts	4,214,000	4,029,000
Conditions met - transferred to revenue	(4,214,000)	(6,219,113)
	119	**119**

Conditions still to be met - remain liabilities (see note 16).

To build modular library.

Municipal Disaster Relief Grant

	2022	2021
Balance unspent at beginning of year	-	393,191
Conditions met - transferred to revenue	-	(393,191)
	-	**-**

The grant is for disaster relief relating to COVID-19.

Equitable share - COVID-19

	2022	2021
Balance unspent at beginning of year	20,015,145	-
Current-year receipts	-	37,060,000
Conditions met - transferred to revenue	(20,015,145)	(17,044,855)
	-	**20,015,145**

The grant is for disaster relief and support relating to COVID-19.

27. Fines

	2022	2021
Library fines	284	983
Traffic fines	1,201,250	280,200
	1,201,534	**281,183**

Figures in Rand	2022	2021

28. Donated assets income

Donated assets	1,649,000	-

The assets were donated by the KwaZulu-Natal Department of Arts and Culture to the Mandeni municipality's libraries.

29. Employee related costs

Basic	71,435,717	66,668,325
Bonus	5,151,659	5,401,386
Medical aid - company contributions	5,272,609	5,721,544
UIF	486,699	412,125
WCA	50,561	53,837
Leave pay accrual	585,164	2,927,070
Defined contribution plans	10,691,847	10,269,617
Overtime payments	1,826,171	1,436,842
Car allowance	3,802,597	3,717,554
Housing benefits and allowances	1,280,577	1,270,365
Cellphone allowance	451,584	469,257
Bonus - Former Directors	-	366,552
Long service awards	1,440,402	622,739
	102,475,587	**99,337,213**

Remuneration of Municipal Manager

Annual Remuneration	1,112,976	1,112,976
Car Allowance	188,307	188,307
Performance Bonuses	-	70,517
Contributions to UIF, Medical and Pension Funds	114	28
	1,301,397	**1,371,828**

Remuneration of Chief Finance Officer

Annual Remuneration	808,461	808,461
Car Allowance	260,082	260,082
Contributions to UIF, Medical and Pension Funds	28	28
	1,068,571	**1,068,571**

Remuneration of Director Corporate Services

Annual Remuneration	1,068,547	1,068,542
Contributions to UIF, Medical and Pension Funds	28	28
	1,068,575	**1,068,570**

Remuneration of Director Community Services

Annual Remuneration	924,288	924,288
Car Allowance	144,256	144,255
Contributions to UIF, Medical and Pension Funds	28	28
	1,068,572	**1,068,571**

Figures in Rand	2022	2021

29. Employee related costs (continued)

Remuneration of Director Technical Services

	2022	2021
Annual Remuneration	842,328	842,328
Car Allowance	226,216	226,213
Performance Bonuses	-	66,205
Contributions to UIF, Medical and Pension Funds	28	28
	1,068,572	**1,134,774**

Remuneration of Director EDPHS

	2022	2021
Annual Remuneration	890,328	890,328
Car Allowance	178,215	178,213
Performance Bonuses	-	57,929
Contributions to UIF, Medical and Pension Funds	28	28
	1,068,571	**1,126,498**
	109,119,850	**106,176,030**

30. Remuneration of councillors

	2022	2021
Mayor	900,936	901,659
Deputy Mayor	728,988	729,488
Mayoral Committee Members	2,458,032	2,575,871
Speaker	728,989	729,488
Councillors	7,129,597	5,765,830
Councillors allowances	1,851,063	2,825,661
	13,797,605	**13,527,997**

In-kind benefits

The Mayor

The Mayor has access to the office and secretarial support at the cost of Council and is provided with the following:

2 bodyguards

1 driver

2 municipal vehicles purchased

Tools of trade as Gazette 46740: Determination of upper limit on Office bearers

The Speaker

The Speaker has access to the office and secretarial support at the cost of Council and is provided with the following:

1 driver.

1 municipal vehicle purchased

Tools of trade as Gazette 46740: Determination of upper limit on Office bearers

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

30. Remuneration of councillors (continued)

The Deputy Mayor

The Deputy Mayor has access to the office at the cost of Council and is provided with the following:

1 driver.

1 municipal vehicle purchased

Tools of trade as Gazette 46740: Determination of Upper Limit of Office Bearers.

All the vehicles used by the Mayor, Deputy Mayor and Speaker are owned by the municipality and not leased.

31. Depreciation and amortisation

Property, plant and equipment	31,615,536	29,295,939
Intangible assets	110,316	105,686
	31,725,852	**29,401,625**

32. Bulk purchases

Electricity - Eskom	36,574,524	28,815,906

33. Impairment loss

Impairments		
Property, plant and equipment	3,530,083	2,446,786
Impairment loss is due to the rehabilitation of several roads in Mandeni Ward 3 and in Sundumbili Ward 15 i.e. Msomuhle and Manono roads. Further to that the Work in Progress relating to Hlomendlini Taxi Route unsurfaced Sidewalks and the portion of Access Road no.1 to P459 were impaired.		

34. Debt impairment

Contributions to debt impairment provision	20,429,748	34,245,358

35. Lease rentals on operating lease

Motor vehicles		
Contractual amounts	146,410	122,510
Equipment		
Contractual amounts	1,303,838	1,572,904
	1,450,248	**1,695,414**

36. Finance costs

Trade and other payables	2,581	166,750
Finance leases	55,880	165,193
Retirement benefit obligation	2,598,150	2,509,251
	2,656,611	**2,841,194**

Figures in Rand	2022	2021

37. Contracted services

Consultants and Professional Services		
Business and advisory	5,151,403	2,095,467
Legal cost	2,970,908	2,592,302
Audit committee fees	194,783	214,300
Shared services	262,000	564,460
Contractors		
Fire services	4,041,006	3,311,068
Maintenance of buildings and facilities	19,721,432	24,696,314
Prepaid electricity vendors	1,574,097	475,772
Graphic designers	-	157,330
Third party vendors commission	2,470,762	-
Outsourced Services		
Internal auditors	1,367,929	556,957
Transport services	266,800	60,500
Security services	11,580,493	10,119,833
Catering services	1,048,163	454,681
Refuse removal	4,505,868	4,008,697
Cleaning services	360,256	302,696
Valuers	421,848	408,018
	55,937,748	**50,018,395**

38. General expenses

Advertising	1,288,719	1,284,873
Auditors remuneration	1,692,387	1,744,887
Bank charges	380,657	487,259
Cleaning	-	12,000
Electricity - internal	1,239,147	1,082,670
Fuel and oil	5,598,905	3,299,813
Hire charges	1,069,611	324,337
LED Vuthela (SECO)	300,000	600,000
IT expenses	11,610	11,783
Insurance	1,689,258	1,757,567
LED programs	855,612	-
Levies	989,688	772,195
Licences	3,478,114	3,163,745
Vehicle tracking expenses	70,133	-
Hygiene and disinfecting services	-	483,065
Pauper / Indigent burial	364,250	245,364
Postage and courier	92,761	111,084
Printing and stationery	902,031	896,292
Free basic electricity	1,535,090	1,556,694
Staff welfare	119,949	105,543
Subscriptions and membership fees	42,975	494,905
Subsistence and travelling	2,768,173	633,909
Telephone and fax	2,411,231	3,270,421
Training	1,183,049	2,142,163
Uniforms	1,129,256	947,665
Ward committees	2,091,200	2,079,000
Water	576,683	689,878
Workmens compensation	692,513	900,000
Youth programs	1,497,178	1,488,019
	34,070,180	**30,585,131**

Figures in Rand	2022	2021

39. Loss on disposal/scrappings of assets

Assets at cost	(1,833,952)	(3,653,080)
Accumulated depreciation	1,015,083	2,003,309
Carrying amount	(818,869)	(1,649,771)
Proceeds from sale of assets	-	148,846
Loss on disposal/scrappings of assets	**(818,869)**	**(1,500,925)**

40. Fair value adjustments

Investment property (Fair value model)	3,576,500	15,961,000

The property valuations have been carried out in terms of GRAP 16 by an Independent Professional Valuer i.e. BPG Mass Appraisals. Market value has been undertaken in accordance with standards laid down by the International Valuations Standards Council.

41. Auditors' remuneration

Fees	1,692,387	1,744,887

42. Cash generated from operations

Surplus	80,559,824	74,446,146
Adjustments for:		
Depreciation and amortisation	31,725,852	29,401,625
Loss on sale of assets and liabilities	818,869	1,500,925
Fair value adjustments	(3,576,500)	(15,961,000)
Impairment deficit	3,530,083	2,446,786
Debt impairment	20,429,748	34,245,358
Movements in operating lease assets and accruals	-	(6,217)
Movements in retirement benefit assets and liabilities	(798,614)	4,128,712
Donated assets income (non cash)	(1,649,000)	-
Changes in working capital:		
Inventories	56,640	115,908
Receivables from exchange transactions	(12,232,589)	(4,176,134)
Receivables from non-exchange transactions	(5,248,267)	(24,086,746)
Statutory receivables	(6,985,571)	3,903,497
Payables from exchange transactions	352,473	13,455,844
VAT	4,803,960	(417,998)
Unspent conditional grants and receipts	(21,374,287)	3,862,500
Consumer deposits	(20,195)	(90,019)
	90,392,426	**122,769,187**

Figures in Rand	2022	2021

43. Commitments

Authorised capital expenditure

Total capital commitments		
• Approved and contracted for	27,221,896	17,258,075

Total commitments

Authorised capital expenditure	27,221,896	17,258,075

Finance leases - as lessee (expense)

Minimum lease payments due		
- within one year	13,719	893,490
- later than five years	-	-
	13,719	**893,490**

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	351,093	526,640
- in second to fifth year inclusive	-	351,093
	351,093	**877,733**

The municipality leases office space from MM Abrahams for two premises. The first lease for Renckens Super is effective from 1 October 2016 to 30 September 2021, with an annual escalation rate of 8%. The second lease is for Shop 12-13 and it is effective from 1 November 2017 to 31 October 2020, with an annual escalation rate of 9%.

There were no defaults or breaches and no terms or conditions were renegotiated during the reporting period.

44. Contingencies

Contingent assets

Name of entity	Attorney	Rand value 2022	Rand value 2021	Reference
JD Biyela	Matthew Francis Inc.	30,000	30,000	44.1

44.1 A dismissed employee referred an unfair dismissal dispute to the South African Bargaining Council and lost the dispute with costs to the favour of the municipality. The award ruled that the dispute was frivolous and vexatious and therefore the applicant is held liable for costs.

Contingent liabilities

A contingent liabilitiy is a possible obligation, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event(s) not wholly within the control of the municipality or a present obligation that is not recognised because, the outflow of economic benefits or service potential is not probable or a real present obligation, that may not be recognised, either because the timing or because the measurement is not known.

The following were identified as contingent liabilities stemming from the interaction with our municipal lawyers as they could result in possible claims against the municipality:

Name of entity	Attorney	Rand value 2022	Rand value 2021	Reference
Independent Ethiopian Church of SA	TKN Incorporated	800,000	800,000	44.2
The Rate payers Association of Tugela Mouth	TKN Incorporated	124,818	124,818	44.3
B A Mchunu	Matthew Francis Inc.	-	100,000	44.4
LQ Mtshali	Matthew Francis Inc.	-	100,000	44.5
BS Mthembu	Matthew Francis Inc.	-	50,000	44.6
MA Mthembu	Ngubane & Associates	1,854,353	1,615,205	44.7
TD Nxumalo	TKN Incorporated	295,000	71,532	44.8
S.B Dlamini	TKN Incorporated	-	471,532	44.9
S Khoza	TKN Incorporated	124,818	600,000	44.10
Amalunga Nembe & Dendewethu Taxi Association & Others	TKN Incorporated	500,000	40,253	44.11
MEC Transport	TKN Incorporated	-	234,217	44.12
Hlomendlini Traditional Council and Inkosi Ngcobo	TKN Incorporated	300,000	387,707	44.13
Mazibuko/Transnet	TKN Incorporated	500,000	500,000	44.14
IMATU obo T.L Samuels	Ngubane & Associate	-	100,000	44.15
AM Sibiya	TKN Incorporated	1,000,000	1,082,278	44.16
		5,498,989	**6,277,542**	

44.2 The eviction in Court has been postponed to allow for an application for registration of a servitude which is already under way and Boshoff land surveyors in Ballito have been appointed to prepare diagrams to be used for the registration of Thokoza road servitude with the Master of the High Court in Pietermaritzburg. At year end, the matter was still pending. The matter is set down on the opposed roll for hearing on 24 January 2023. We await confirmation/ permission to build the road from the ITB.

44.3 Rate Payers Association is demanding that the municipality to implement bylaws and control the influx within the Tugela Beach. Pleadings closed and the parties await trial dates to be allocated. Trial could last at least 7 days in Court.

44.4 The Municipality (along with the Commissioner who upheld the dismissal ruling) was taken to the Labour Court by a formerly dismissed Traffic Officer. After years of court proceedings the employee (applicant) has failed to put forward any further evidence and or documentation on the review. The case has been dismissed.

44. Contingencies (continued)

44.5 The Municipality (along with the Commissioner who upheld the dismissal ruling) was taken to the Labour Court by a formerly dismissed Traffic Officer. After years of court proceedings the employee (applicant) has failed to put forward any further evidence and or documentation on the review. The case has been dismissed.

44.6 The Municipality (along with the Commissioner who upheld the dismissal ruling) was taken to the Labour Court by a formerly dismissed Traffic Officer. After years of court proceedings the employee (applicant) has failed to put forward any further evidence and or documentation on the review. The case has been dismissed.

44.7 Former Manager Special Programme referred the matter to the SALGBC alleging Unfair Dismissal. The matter launched at the Labour Court.

44.8 Attended Court on the 15th of November 2021 at the Regional Court of Empangeni to note judgement. Our application was dismissed with reserved costs pending the finalisation of our Rule 60A application to be heard on the 14th of March 2022. Rule 60A was also dismissed. The municipality has now received a Notice of set down for the 23rd of September 2022.

44.9 Attended Court on the 15th of November 2021 at the Regional Court of Empangeni to note judgement. Our application was dismissed with reserved costs pending the finalisation of our Rule 60A application to be heard on the 14th of March 2022. Rule 60A was also dismissed. The municipality has now received a Notice of set down for the 23rd of September 2022.

44.10 Attended Court on the 15th of November 2021 at the Regional Court of Empangeni to note judgement. Our application was dismissed with reserved costs pending the finalisation of our Rule 60A application to be heard on the 14th of March 2022. Rule 60A was also dismissed. The municipality has now received a Notice of set down for the 23rd of September 2022.

44.11 The matter is between the MEC for Transport, Mandeni and Malunga of Nembe Dendethu Taxi Association. To evict illegal Taxi Association. The matter is with the Pietermaritzburg High Court.

44.12 Application for leave to appeal heard and granted. Attending to compiling the record for purposes of setting the matter down for an appeal.

44.13 Application to join other respondents was granted. Attended to serving the joint respondents with all Court documents. Attending to further serving all respondents with the Court order and Notice of set down. Main application set down for the 23rd of January 2023.

44.14 Application to demolish all illegal businesses on Thokoza road servitude set down for the 23rd of January 2023. Currently attending to setting down a joint application to join Ingonyama Trust.

44.15 We were instructed to act on behalf of the Municipality in the arbitration hearing for unfair labour practices. The matter in still in progress.

44.16 This matter was set down in March 2022. We then received a Notice to oppose which compelled us to remove it from the roll and await their Answering affidavit. Court days have since lapsed for them to file their answering affidavit.

45. Related parties

The key management remuneration is disclosed in note 29 - Employee related costs and note - 30 Remuneration of councillors.

During the year, the municipality was part of principal-agent arrangements. The terms and the monetary values are disclosed in note 58 - Accounting by principals and agents. The municipality also received a donation in the form of assets from a related party, the value of which is disclosed in note 28 - Donated assets income. All the related party transactions were at arm's length.

46. Risk management

Financial risk management

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

Liquidity risk

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

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

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	32,491,560	-	-	-
Consumer deposits	269,853	-	-	-

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	32,139,086	-	-	-
Consumer deposits	290,048	-	-	-

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. The municipality’s level of borrowing and consequently the debt servicing costs are closely monitored and controlled by the EXCO having regard to the prevailing and projected interest rates and the municipality’s capacity to service such debt from future earnings and allocations however the long term loan's interest rate is fixed throughout the term of repayment. Balances exposed to the interest rate risk. The municipality's policy is to further manage interest rate risks so that fluctuations in interest rates do not have a material impact on the net surplus/ deficit.

Investments	203,861,901	181,073,835
Cash and cash equivalents	4,119,614	905,854
	207,981,515	**181,979,689**

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Trade and other receivables from exchange transactions	10,338,769	10,075,322
VAT receivable	1,788,995	6,592,955
	12,127,764	**16,668,277**

Notes to the Annual Financial Statements

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47. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	616,579	166,750
Condoned or written off by Council	(2,581)	(166,750)
Fruitless and wasteful expenditure at year end	**613,998**	**-**

The amount that was written off by Council relates to the interest charged by suppliers on late payments.

48. Irregular expenditure

Opening balance as previously reported	150,000	5,955,275
Prior period adjustment	22,500	-
Opening balance as restated	**172,500**	**5,955,275**
Add: Irregular Expenditure - current	14,834,312	10,342,370
Less: Amount written off - current	(13,210,211)	(10,192,370)
Less: Amount written off - prior period	(172,500)	(5,955,275)
Closing balance	**1,624,101**	**150,000**

The prior period adjustment on the irregular expenditure was due to Circular 68 issued by National Treasury requesting that irregular expenditure be disclosed inclusive of VAT.

All the irregular expenditure that was investigated by the municipality prior to write off.

49. Unauthorised expenditure

Opening balance as previously reported	-	3,757,348
Opening balance as restated	**-**	**3,757,348**
Less: Approved/condoned/authorised by council	-	(3,757,348)
Closing balance	**-**	**-**

The Council has authorised the unauthorised expenditure for 2019/20 to the amount of R3,757,348 in the previous year. No unauthorised expenditure was incurred by the municipality in the current year.

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,215,742	1,249,844
Amount paid - current year	(1,215,742)	(1,249,844)
Balance unpaid (included in payables)	**-**	**-**

Material losses through electricity distribution

Current year subscription / fee	1,086,875	1,366,032

Audit fees

Opening balance	-	-
Current year subscription / fee	1,692,387	1,744,887
Amount paid - current year	(1,692,387)	(1,744,887)
Balance unpaid (included in payables)	**-**	**-**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

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

PAYE and UIF

	2022	2021
Opening balance	-	-
Current year subscription / fee	19,469,666	17,723,632
Amount paid - current year	(19,469,666)	(17,723,632)
Balance unpaid (included in payables)	**-**	**-**

Pension and Medical Aid Deductions

	2022	2021
Opening balance	-	-
Current year subscription / fee	15,976,214	15,326,278
Amount paid - current year	(15,976,214)	(15,326,278)
Balance unpaid (included in payables)	**-**	**-**

VAT

	2022	2021
VAT receivable	1,788,995	6,592,955

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding at 30 June 2022:

	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr N Nxumalo	403	8,337	8,740
Cllr NS Ncube	499	11,382	11,881
Cllr LS Zungu	618	73,417	74,035
Cllr NO Dladla	435	401	836
Cllr MB Ngidi	526	45,939	46,465
Cllr BA Khumalo	1,485	14,639	16,124
Cllr BA Mchunu	3,062	21,371	24,433
Cllr LS Mthembu	74	-	74
Cllr SP Naicker	334	860	1,194
Cllr MT Ncanana	444	3,574	4,018
	7,880	**179,920**	**187,800**

51. Deviation from supply chain management regulations

Contract awards made in terms of Section 36(1) of the SCM policy amounted to R343,500. Details of the awards are summarised in the below table:

Categories of SCM Regulations	**SCM Reg reference**	**Number of cases**	**% of Total cases**	**Value (R)**	**% of Rand Value**
In an emergency	36(1)(a)(i)	5	83	148,500	43
Services are available from a single provider	36(1)(a)(ii)	-	-	-	-
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	1	17	195,000	57
		6	**100**	**343,500**	**100**

Notes to the Annual Financial Statements

52. Budget differences

Material differences between budget and actual amounts

The material difference between approved budget and actual result are the consequence of activities during the financial period. The changes between the approved and final budget are due to changes in the overall budget parameters.

Variances of more than 10% are considered material and are explained below:

	Budget	Actual	Variance	% Variance	References
Property rates	50,381,109	46,987,086	(3,394,023)	(7)%	
Service charges	48,762,339	56,776,414	8,014,075	16 %	52.1
Investment revenue	5,500,000	10,694,201	5,194,201	94 %	52.2
Transfers recognised - operational	220,297,780	219,890,978	(406,802)	- %	
Transfers recognised - capital	43,415,468	43,949,107	533,639	1 %	
Other own revenue	3,051,061	12,373,356	9,322,295	306 %	52.3
	371,407,757	**390,671,142**	**19,263,385**		
Employee related costs	(109,069,048)	(109,119,850)	(50,802)	- %	
Remuneration of councillors	(14,193,023)	(13,797,605)	395,418	(3)%	
Debt impairment	(34,635,110)	(20,429,748)	14,205,362	(41)%	52.4
Depreciation and asset impairment	(32,726,445)	(35,255,935)	(2,529,490)	8 %	
Finance charges	(3,003,000)	(2,656,611)	346,389	(12)%	52.5
Materials and bulk purchases	(36,643,294)	(36,574,524)	68,770	- %	
Other expenditure	(109,459,175)	(92,277,045)	17,182,130	(16)%	52.6
	31,678,662	**80,559,824**	**48,881,162**		

52.1 The reason for the variance is due to the meter audit that was conducted by the municipality. The audit resulted in the municipality billing more than what was initially budgeted for.

52.2 Reason for variance is due to interest generated from cash backed reserves and grants which were invested in the current year.

52.3 Actual other revenue was more than the budgeted amount. This was due to the fair value adjustments and donated assets received, as well actuarial gains from the valuation of the employee benefit obligation.

52.4 The actual debt impairment was less than the budgeted amount. This is due to less property rates being charged by the municipality to the Ingonyama Trust, which was normally billed and impaired fully.

52.5 The actual finance charges are less than budgeted. This is due to the finance leases coming to an end, hence less interest charged to the municipality.

52.6 The actual general expense is less than budgeted amount, this is due to the ConCourt decision that was taken in relation to procurement which had an impact on planned projects by the municipality.

Figures in Rand	2022	2021

53. MFMA disclosure on SCM Regulation 45

Supplier name	Employee name	Employee capacity	2022	2021
Sodube Sotobe	NT Sibiya	Public Participation and OSS Officer	57,893	69,500
Fana Manufacturing	N Reddy	Prosecutor - Verulam Magistrate Court	973,064	751,350
Mecom Trading Enterprise	M Msweli	Accountant - Receipting and Deposit	94,542	-
Mzimela Legacy	PZ Sibisi	LED Manager	3,850	-
Conlog Pty Ltd	N Moodley	Director - KZN Department of Health	1,574,523	-
Fire and Resq Zone Pty Ltd	Not stated	City of Tswane Metro	489,000	-
Adapt IT Pty Ltd	D Mbambo	Operation Maintenance Manager- SANRAL	167,736	-
			3,360,608	**820,850**

54. Events after the reporting date

The Accounting Officer is not aware of any significant events after the reporting date.

55. Impact of COVID-19

At the end of March 2020, the COVID-19 virus was declared a pandemic by the World Health Organisation and by the South African Government. South Africa entered into lockdown on the 26th March 2020. COVID-19 had a significant impact on the amounts as disclosed on the Annual Financial Statements. The affected areas are mainly receivables, cash and cash equivalents and capital spending due to lockdown regulations and the economic impact of COVID-19.

Management has considered the impact of COVID-19 and that there have been no material changes in the use of assets that would require a change in the expected useful life of assets.

No material information has come to the attention of management to suggest that there is a going concern issue due to the pandemic. The Annual Financial Statements for the year ended 30 June 2022 have been prepared under the going concern assumption.

The information below indicates the total COVID-19 expenditure for the 2022 and 2021 financial years:

National: Municipal Disaster Relief Grant	-	393,191
National: Equitable share - COVID-19 grant	20,015,145	17,044,855
Total funding for COVID-19 expenditure	**20,015,145**	**17,438,046**

Details of COVID-19 expenditure

Summary per category		
National: Equitable share - COVID-19 grant		
Executive and Council	-	747,236
Finance and Administration	-	6,242,071
Planning and Development	-	564,460
Roads and Infrastructure	-	7,000,396
Technical Services	17,984,476	-
Community Services	2,030,669	1,016,232
Waste Management	-	900,000
Public Safety	-	574,460
National: Municipal Disaster Relief Grant		
Community Services	-	393,191
	20,015,145	**17,438,046**

56. Comparative figures

Certain comparative figures have been restated.

Transfers and subsidies and general expenses

In the prior year, transfers and subsidies was disclosed separately. In the current financial year, the transfers and subsidies were disclosed as part of general expenses, as free basic electricity, in line with mSCOA regulations. The reclassification was made retrospectively.

Receivables from non-exchange transactions and statutory receivables

In the current financial year, the municipality adopted GRAP 108 Statutory receivables. The Standard requires the municipality to separately disclose statutory receivables. The statutory receivables have been disclosed separately in terms of GRAP 108. The Standard was adopted retrospectively.

The reclassifications resulted in adjustments as follows:

Statement of financial position

2021

	Note	As previously reported	Prior period adjustment	Reclassification	Restated
Receivables from non-exchange transactions	5	18,309,044	-	(14,827,839)	3,481,205
Statutory receivables	6	-	-	14,827,839	14,827,839

Statement of financial performance

2021

	Note	As previously reported	Prior period adjustment	Reclassification	Restated
Transfers and subsidies		(1,556,694)	-	1,556,694	-
General expenditure	38	(29,028,437)	-	(1,556,694)	(30,585,131)

Cash flow statement

2021

	Note	As previously reported	Prior period adjustment	Reclassification	Restated
Changes in working capital					
Receivables from exchange transactions	42	(3,159,815)	(1,016,319)	-	(4,176,134)
Statutory receivables	42	-	-	3,903,497	3,903,497
Receivables from non-exchange transactions	42	(20,183,249)	-	(3,903,497)	(24,086,746)

56. Comparative figures (continued)

Prior period adjustment

Interest received - investment and receivables from exchange transactions

During the 2020/21 reporting period, interest was earned and accrued on investments however the interest accrued was not recognised as interest received nor was a receivable recognised on the annual financial statements for the 2020/21 reporting period. This resulted in interest received from investments and receivables from exchange transactions being understated. The comparative figures have been appropriately adjusted.

Employee related costs and payables from exchange transactions

In the prior year, the accounting treatment of the senior managers' performance bonuses (accrual payment) was not recorded in line with the requirements of GRAP 1, Accrual Accounting, as well as GRAP 14, Events after the reporting date. This resulted in employee related costs and payables from exchange transactions being understated. The comparative figures have been appropriately adjusted.

VAT refunds

During the year, the municipality received refunds from SARS relating to the 2016 VAT submissions. The refunds were treated as prior period adjustment as they relate to the 2016 financial year. The adjustment to the VAT receivable account was applied retrospectively.

All the prior period errors have been corrected retrospectively and resulted in adjustments as follows:

2021

Statement of Financial Position	Note	As previously reported	Prior period adjustment	Restated
Receivables from exchange transactions	4	9,059,003	1,016,319	10,075,322
Payables from exchange transactions	14	(31,571,620)	(567,466)	(32,139,086)
VAT receivable	7	2,901,600	3,691,356	6,592,956
Accumulated surplus		(665,573,057)	(4,140,209)	(669,713,266)
Effect on opening accumulated surplus			-	

The VAT refund adjustment has no impact on the 2021 cash flow statement as the refund was received in the 2022 financial year.

Statement of Financial Performance		As previously reported	Prior period adjustment	Restated
Interest received - investments	24	6,453,515	1,016,319	7,469,834
Employee related costs	29	(106,095,131)	(80,899)	(106,176,030)
Effect on surplus or deficit			**935,420**	

57. Change in estimate

Property, plant and equipment

In the beginning of the financial year, the municipality reviewed the remaining useful lives of certain items of Property, Plant and Equipment. The remaining useful lives were re-assessed at the beginning of the financial year based on the expected useful lives of those assets. The useful lives of property plant and equipment were initially estimated between 10 and 15 years. For property plant and equipment the remaining useful lives were re-estimated to be between 15 and 20 years. This is considered a change in accounting estimates and the effect is treated prospectively.

	Old estimate	New estimate	Increase /decrease in depreciation
Depreciation: current year	23,982	(4,186)	(19,796)
Increase in depreciation: future years	1,136	20,932	19,796
	25,118	**16,746**	**-**

58. Accounting by principals and agents

The municipality is a party to principal-agent arrangements.

Details of the arrangements

INEP grant - Schedule 5B Electrification Project

Mandeni Municipality acts as an agent assisting Eskom with the Schedule 5B Electrification Project. The municipality is therefore acting as an agent and Eskom is the principal.

A principal-agent relationship exists due to the following conditions, amongst others:

- There is a binding agreement with Eskom for the electrification of houses in the Eskom area of supply;
- Transactions are expected to be undertaken with third parties on behalf of another entity i.e. contractors are appointed to implement the project; and
- Transactions are for the benefit of another entity i.e. benefits are for Eskom in that the assets and related connections will be handed over to Eskom and Eskom will generate the revenue from the supply of electricity to consumers.
- The municipality does not have the power to determine the significant terms and conditions of the transactions.
- The municipality has limited inventory risk and therefore not exposed to the variability in the results of transactions.

Housing Title Deed grant - Title Deeds

- There is a binding agreement with The Provincial Department of Human Settlements Kwa-Zulu Natal for the title deeds restoration programme;
- Transactions are for the benefit of another entity i.e. benefits are for The Provincial Department of Human Settlements in that the title deed activities undertaken are on behalf of the Department.
- The municipality does not have the power to determine the significant terms and conditions of the transactions.
- The municipality has limited inventory risk and therefore not exposed to the variability in the results of transactions.

USDG Urban Settlement Development Grant

- There is a binding agreement with the Provincial Department of Human Settlements Kwa-Zulu Natal for the development of two rural housing projects within Mandeni for Isithebe and Macambini;
- Transactions are for the benefit of another entity i.e. benefits are for The Provincial Department of Human Settlements in that the urban settlement development undertaken are on behalf of the Department.
- The municipality does not have the power to determine the significant terms and conditions of the transactions as the municipality pays over the USDG to the contractor based on invoiced amounts for work completed by the contractor on each project.
- The municipality has limited inventory risk and therefore not exposed to the variability in the results of transactions.

Figures in Rand	2022	2021

58. Accounting by principals and agents (continued)

Entity as agent

Grants received

The municipality does not recognise any revenue in respect of these arrangements. However, grants are provided to the municipality for the execution of the projects.

INEP Grant		
Balance unspent at beginning of year	2,039,230	3,544,991
Current-year receipts	4,872,000	5,000,000
Conditions met	(1,997,568)	(6,505,761)
Rolled over amounts/ Funds withheld by National Treasury	(2,039,230)	-
Unspent grant at year end	**2,874,432**	**2,039,230**

Housing Title Deed grant		
Balance unspent at beginning of year	6,206,810	3,307,892
Current-year receipts	-	3,157,741
Conditions met	(434,203)	(258,823)
Unspent grant at year end	**5,772,607**	**6,206,810**

USDG Urban Settlement Development Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	50,633,456	12,415,088
Conditions met	(50,633,456)	(12,415,088)
	-	**-**

59. Segment information

General information

Identification of segments

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Types of goods and/or services by segment

The Municipality has several departments/functional areas and accordingly the segments were aggregated for reporting purposes as set out below:

Reportable segment	Goods and/or services
Executive & Council	Provision of overall governance to other segments of the municipality
Finance & Administration	Provision of financial and administrative services to other segments of the municipality
Planning & Development	Provision of economic development activities in the municipality
Roads & Infrastructure	Construction and maintenance of roads and infrastructure owned by the municipality
Community & Social Services	Construction and maintenance of halls, cemeteries owned by the municipality
Energy Sources	Provision of energy and electrical services to the community
Waste management	Provision of waste management services to the community
Public Safety	Provision of pound services and public safety to the community

Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment are not required to be disclosed.

Information about geographical areas

Although the Municipality operates in a number of geographical areas (i.e.wards), the geographical information is not considered relevant to management for decision-making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the Municipality has assessed that it operates in a single geographical area.

Measurement of specific segment information

The accounting policies of the respective segments are the same as those prescribed in the summary of significant accounting policies.

The Municipality had no changes to the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from the prior year.

59. Segment information (continued)

Segment surplus or deficit

2022

	Executive & Council	Finance & Administration	Planning & Development	Roads & Infrastructure	Community & Social Services	Energy Sources	Waste Management	Public Safety	Total
Revenue from exchange transactions									
Service charges	-	-	-	-	-	45,958,290	10,818,124	-	56,776,414
Rental of facilities and equipment	-	174,975	35,965	-	113,655	-	-	-	324,595
Licences and permits	-	-	9,395	-	-	-	-	781,817	791,212
Other income	-	414,412	91,596	-	56,981	75,331	-	187,038	825,358
Interest received	-	10,694,201	-	-	-	-	-	-	10,694,201
Other non-operating gains									
Fair value adjustments	-	3,576,500	-	-	-	-	-	-	3,576,500
Actuarial gains	-	4,005,157	-	-	-	-	-	-	4,005,157
Revenue from non exchange transactions									
Property rates	-	46,987,086	-	-	-	-	-	-	46,987,086
Government grants and subsidies	7,806,000	205,435,978	-	43,949,107	6,649,000	-	-	-	263,840,085
Donations received	-	-	-	-	1,649,000	-	-	-	1,649,000
Fines	-	-	-	-	284	-	-	1,201,250	1,201,534
Municipality's revenue	**7,806,000**	**271,288,309**	**136,956**	**43,949,107**	**8,468,920**	**46,033,621**	**10,818,124**	**2,170,105**	**390,671,142**

59. Segment information (continued)

	Executive & Council	Finance & Administration	Planning & Development	Roads & Infrastructure	Community & Social Services	Energy Sources	Waste Management	Public Safety	Total
Expenditure									
Employee costs	(11,924,818)	(19,616,157)	(10,087,840)	(18,259,296)	(31,345,135)	(3,069,148)	(5,276,509)	(9,540,947)	(109,119,850)
Remuneration of councillors	(13,797,605)	-	-	-	-	-	-	-	(13,797,605)
Depreciation and amortisation	-	(31,725,852)	-	-	-	-	-	-	(31,725,852)
Impairment losses	-	(3,530,083)	-	-	-	-	-	-	(3,530,083)
Finance costs	-	(2,656,611)	-	-	-	-	-	-	(2,656,611)
Lease rentals	-	(1,450,248)	-	-	-	-	-	-	(1,450,248)
Debt impairment	-	(20,429,748)	-	-	-	-	-	-	(20,429,748)
Contracted services	(7,232,762)	(6,565,704)	(1,219,603)	(15,975,367)	(19,622,083)	(2,250,765)	(2,898,833)	(172,631)	(55,937,748)
Operational costs	(7,641,451)	(15,389,327)	(1,396,448)	(1,327,461)	(3,359,393)	(2,803,853)	(1,925,823)	(226,424)	(34,070,180)
Bulk purchases	-	-	-	-	-	(36,574,524)	-	-	(36,574,524)
Loss on disposal of assets	-	(818,869)	-	-	-	-	-	-	(818,869)
Total segment expenditure	**(40,596,636)**	**(102,182,599)**	**(12,703,891)**	**(35,562,124)**	**(54,326,611)**	**(44,698,290)**	**(10,101,165)**	**(9,940,002)**	**(310,111,318)**
Total segmental surplus/(deficit)	**(32,790,636)**	**169,105,710**	**(12,566,935)**	**8,386,983**	**(45,857,691)**	**1,335,331**	**716,959**	**(7,769,897)**	**80,559,824**

59. Segment information (continued)

2021

	Executive & Council	Finance & Administration	Planning & Development	Roads & Infrastructure	Community & Social Services	Energy Sources	Waste Management	Public Safety	Total
Revenue from exchange transactions									
Service charges	-	-	-	-	-	34,671,837	9,150,306	-	43,822,143
Rental of facilities and equipment	-	-	-	38,035	294,891	-	-	-	332,926
Interest earned on outstanding debtors	-	4,084,279	-	-	-	-	-	-	4,084,279
Licences and permits	-	-	22,166	-	-	-	-	778,000	800,166
Other income	-	762,939	97,174	-	26,557	95,126	-	28,859	1,010,655
Interest received	-	7,469,834	-	-	-	-	-	-	7,469,834
Other non-operating gains									
Fair value adjustments	-	15,961,000	-	-	-	-	-	-	15,961,000
Revenue from non exchange transactions									
Property rates	-	50,869,922	-	-	-	-	-	-	50,869,922
Government grants and subsidies	45,336,000	155,531,535	447,880	41,464,841	8,606,113	-	-	393,191	251,779,560
Fines	-	-	-	-	983	-	-	280,200	281,183
Municipality's revenue	**45,336,000**	**234,679,509**	**567,220**	**41,502,876**	**8,928,544**	**34,766,963**	**9,150,306**	**1,480,250**	**376,411,668**

59. Segment information (continued)

	Executive & Council	Finance & Administration	Planning & Development	Roads & Infrastructure	Community & Social Services	Energy Sources	Waste Management	Public Safety	Total
Expenditure									
Employee costs	(10,878,017)	(28,939,812)	(9,259,170)	(17,506,982)	(20,789,187)	(2,988,562)	(5,526,550)	(10,287,750)	(106,176,030)
Remuneration of councillors	(13,527,997)	-	-	-	-	-	-	-	(13,527,997)
Depreciation and amortisation	-	(29,401,625)	-	-	-	-	-	-	(29,401,625)
Impairment losses	-	(2,446,786)	-	-	-	-	-	-	(2,446,786)
Finance costs	-	(2,841,194)	-	-	-	-	-	-	(2,841,194)
Lease rentals	-	(1,695,414)	-	-	-	-	-	-	(1,695,414)
Debt impairment	-	(34,245,358)	-	-	-	-	-	-	(34,245,358)
Contracted services	(7,466,968)	(8,628,611)	(2,200,763)	(10,696,655)	(4,985,773)	(1,911,095)	(4,008,697)	(10,119,833)	(50,018,395)
Operational costs	(9,580,323)	(15,837,994)	(662,602)	(783,695)	(767,136)	(2,662,000)	(41,893)	(249,488)	(30,585,131)
Bulk purchases	-	-	-	-	-	(28,815,906)	-	-	(28,815,906)
Loss on disposal of assets	-	(1,500,925)	-	-	-	-	-	-	(1,500,925)
Fair value adjustments	-	(710,761)	-	-	-	-	-	-	(710,761)
Total segment expenditure	**(41,453,305)**	**(126,248,480)**	**(12,122,535)**	**(28,987,332)**	**(26,542,096)**	**(36,377,563)**	**(9,577,140)**	**(20,657,071)**	**(301,965,522)**
Total segmental surplus/(deficit)	**3,882,695**	**108,431,029**	**(11,555,315)**	**12,515,544**	**(17,613,552)**	**(1,610,600)**	**(426,834)**	**(19,176,821)**	**74,446,146**