City of uMhlathuze
Annual Financial Statements
for the year ended 30 June 2022

General Information

Nature of business	Local government
Executive Committee	
	Cllr X Ngwezi (Mayor)
	Cllr N Ngubane (Deputy Mayor)
	Cllr T Gumede (Speaker)
	Cllr CM Botha (EXCO)
	Cllr Z Grobbelaar (EXCO)
	Cllr MG Mhlongo (EXCO)
	Cllr ZH Mkhize (EXCO)
	Cllr BC Mthembu (EXCO)
	Cllr KD Sibiya (EXCO)
	Cllr RM Zikhali (EXCO)
	Cllr SH Zulu (EXCO)
	Cllr BJ De Lange (Chairperson of sec 79 MPAC)
Chief Finance Officer	Mr M Kunene
Accounting Officer	Mr NG Zulu
Registered Office	5 Mark Strasse Central Business District Richards Bay 3900
Bankers	ABSA
Auditors	Auditor-General South Africa

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The reports and statements set out below comprise the annual financial statements presented to the Municipal Council:

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Abbreviations used:

VAT	Value Added Tax
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
mSCOA	Municipal Standard Chart of Accounts
MFMA	Municipal Finance Management Act

Accounting Officer's Responsibilities and Approval

The City of uMhlathuze, situated at 5 Mark Strasse, Richards Bay, is a category B municipality, established in terms of Section 12 (1) of the Municipal Structures Act, 1998 (Act No. 117 of 1998) and published in terms of the Provincial Government Notice 346 on 19 September 2000. The Local Government operations of the Municipality are assigned by section 156 and 229 of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996) and are defined specifically in terms of Section 83 of the Municipal Structures Act 1998 (Act No. 117 of 1998).

The annual financial statements set out on page 4 to 81, which have been prepared on the going concern basis by the accounting officer in terms of section 126 (1) of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) and were signed off by the accounting officer on 31 August 2022.

I certify that the Salaries, allowances and benefits of Councillors and payments made to Councillors as disclosed in note 27 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 Officer Bearers Act, 1998 (Act No 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

As required by Section 45 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) and Section 121 (4)(a) and (b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and Gazette number 43582 the Annual Financial Statements were submitted to the Auditor-General South Africa (AGSA) on 31 August 2022.

Mr NG Zulu
Accounting Officer

Auditor-General

City of uMhlathuze

Audit report for the year ended 30 June 2022

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council on the City of uMhlathuze

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the City of uMhlathuze set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2022, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the City of uMhlathuze as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2021 (Act No.9 of 2021) (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material impairment - receivables from exchange transactions

7. As disclosed in note 4 to the financial statements, the municipality recognised a debt impairment of R276,21 million (2020-2021: R340,32 million) as the recoverability of these amounts were doubtful.

Material impairment - statutory receivables

8. As disclosed in note 3 to the financial statements, the municipality recognised a debt impairment of R81,33 million (2020-2021: R153,41 million) as the recoverability of these amounts were doubtful.

Material loss – water

9. As disclosed in note 33 to the financial statements, material water losses of R260 million (2020-2021: R278,44 million) was incurred, which represents 38% (2020-2021: 45%) of total water purchased. These losses were largely due to illegal connections, meter inaccuracy and leakage in the transmission and distribution of water to reservoirs and consumers.

Other matter

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

11. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

13. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting

unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

14. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

16. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected key performance area presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

17. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievement in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for *the basic services delivery and infrastructure development key performance area* presented in the municipality's annual performance report on pages xx to xx for the year ended 30 June 2022.

19. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved

performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

20. I did not identify any material findings on the usefulness and reliability of the reported performance information for *the basic services delivery and infrastructure development key performance area.*

Other matters

21. I draw attention to the matters below.

Achievement of planned targets

22. The annual performance report on pages xx to xx sets out information on the achievement of planned targets for the year.

Adjustment of material misstatements

23. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the *basic service delivery and infrastructure development key performance area.* As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

24. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

25. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

26. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected key performance area presented in the annual performance report that have been specifically reported in this auditor's report.

27. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

28. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected key performance area presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

29. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

30. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

31. I did not identify any significant deficiencies in internal control.

Other report

32. I draw attention to the following engagement conducted that had, or could have an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigation

33. An independent consultant was appointed to conduct an investigation into the alleged non-compliance on the construction of one of the projects of the municipality. The investigation related to the assessment of the work performed on the construction of a sports centre and the value for money obtained relative to the actual work on site. The investigation was in progress at date of this report.

Pietermaritzburg

Auditor-General

29 November 2022

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on the reported performance information for the selected key performance area and on the municipality's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer

- conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the City of uMhlathuze to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, the actions taken to eliminate threats or the safeguards applied.

Statement of Financial Position as at 30 June 2022

	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	2	130 860 521	115 692 490
Statutory receivables	3	175 529 245	64 740 656
VAT receivable		6 037 154	-
Receivables from exchange transactions	4	674 178 423	359 617 404
Other Receivables	5	24 091 086	25 146 408
Cash and cash equivalents	6	684 763 763	820 690 308
		1 695 460 192	**1 385 887 266**
Non-Current Assets			
Investment property	7	98 620 081	99 115 472
Property, plant and equipment	8	6 285 442 497	5 986 221 888
Intangible assets	9	188 628 105	168 402 185
Heritage assets	10	2 464 611	2 464 611
		6 575 155 294	**6 256 204 156**
Total Assets		**8 270 615 486**	**7 642 091 422**
Liabilities			
Current Liabilities			
Other financial liabilities	11	109 923 077	90 435 332
Payables from exchange transactions	12	720 068 182	561 487 270
VAT payable		-	1 758 702
Consumer deposits	13	61 180 750	54 304 470
Employee benefit obligation	16	16 838 000	14 992 000
Unspent conditional grants and receipts	14	10 015 946	10 640 276
Provisions	15	25 205 994	23 685 565
		943 231 949	**757 303 615**
Non-Current Liabilities			
Other financial liabilities	11	806 161 902	540 422 832
Employee benefit obligation	16	252 740 000	316 748 000
		1 058 901 902	**857 170 832**
Total Liabilities		**2 002 133 851**	**1 614 474 447**
Net Assets		**6 268 481 635**	**6 027 616 975**
Accumulated surplus	17	6 268 481 635	6 027 616 975
Total Net Assets		**6 268 481 635**	**6 027 616 975**

* See Note 44

Statement of Financial Performance for the year ended 30 June 2022

	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	2 330 472 115	2 201 504 255
Construction contracts	19	78 306 911	103 916 524
Rental of facilities and equipment		10 233 407	8 674 724
Interest received - outstanding debtors		387 405	178 195
Agency services		4 691 626	7 840 537
Licences and permits		3 014 742	3 247 909
Debt Impairment Reversal	20	136 019 044	-
Operational revenue	21	25 125 358	23 632 647
Interest revenue - investments	22	34 734 726	32 646 390
Inventories water gain	2	527 840 130	517 060 858
Total revenue from exchange transactions		**3 150 825 464**	**2 898 702 039**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	567 443 544	551 172 687
Interest revenue - property rates	23	3 159 159	4 021 969
Surcharges and Taxes		16 038 916	14 438 855
Transfer revenue			
Transfers and subsidies	24	620 100 341	679 342 983
Public contributions and donations	25	163 465	357 987
Fines, Penalties and Forfeits	26	20 729 768	64 876 170
Total revenue from non-exchange transactions		**1 227 635 193**	**1 314 210 651**
Total revenue		**4 378 460 657**	**4 212 912 690**
Expenditure			
Employee related costs	27	1 032 294 399	948 571 754
Remuneration of councillors	28	30 528 265	31 203 745
Inventory Consumed	29	502 191 459	456 235 447
Depreciation and amortisation	30	330 672 030	346 458 822
Impairment loss		1 548 304	1 214 030
Finance costs	31	57 199 837	59 021 447
Debt Impairment	20	-	37 409 834
Bad debts written off	32	119 892 039	165 172 159
Bulk purchases	33	1 151 971 461	1 072 631 235
Contracted services	34	453 982 122	353 792 849
Transfers and subsidies	35	9 278 714	9 787 224
Loss on disposal of assets and liabilities		23 289 489	90 680 918
Operating expenses	36	542 415 872	502 040 851
Total expenditure		**4 255 263 991**	**4 074 220 315**
Surplus for the year from continuing operations		**123 196 666**	**138 692 375**
Actuarial Gains / (Loss)	16	117 667 991	(7 948 093)
Surplus for the year (See Note 52)		**240 864 657**	**130 744 282**

* See Note 44

Statement of Changes in Net Assets for the year ended 30 June 2022

	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported - 30 June 2020	5 922 373 106	5 922 373 106
Adjustments:		
Prior year adjustments - see note 44	(25 500 413)	(25 500 413)
Restated* Balance at 01 July 2020	**5 896 872 693**	**5 896 872 693**
Changes in net assets		
Surplus for the year	130 744 282	130 744 282
Total changes	130 744 282	130 744 282
Restated* Balance at 01 July 2021	**6 027 616 978**	**6 027 616 978**
Changes in net assets		
Surplus for the year	240 864 657	240 864 657
Total changes	240 864 657	240 864 657
Balance at 30 June 2022	**6 268 481 635**	**6 268 481 635**

* See Note 44

Cash Flow Statement for the year ended 31 June 2022

	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Property rates		473 102 167	523 417 298
Sale of goods and services		2 030 146 859	2 054 623 265
Grants		617 849 211	673 638 858
Interest income		32 259 596	30 838 886
Other receipts		67 970 918	59 783 551
		3 221 328 751	3 342 301 858
Payments			
Employee costs		(1 006 396 647)	(943 968 592)
Suppliers		(1 896 813 513)	(1 772 907 083)
Finance costs		(56 341 247)	(59 021 447)
Transfers and subsidies		(9 278 714)	(9 787 223)
		(2 968 830 121)	(2 785 684 345)
Net cash flows from operating activities	39	**252 498 630**	**556 617 513**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(622 627 841)	(387 106 619)
Proceeds from sale of property, plant and equipment	8	140 000	92 823 240
Purchase of other intangible assets	9	(50 346 346)	(55 495 677)
Net cash flows from investing activities		**(672 834 187)**	**(349 779 056)**
Cash flows from financing activities			
Proceeds from other financial liabilities		374 000 000	90 000 000
Repayment of other financial liabilities		(89 590 988)	(76 066 577)
Net cash flows from financing activities		**284 409 012**	**13 933 423**
Net increase/(decrease) in cash and cash equivalents		**(135 926 545)**	**220 771 880**
Cash and cash equivalents at the beginning of the year		820 690 308	599 918 428
Cash and cash equivalents at the end of the year	6	**684 763 763**	**820 690 308**

* See Note 44

Statement of Comparison:Budget and Actual Amount for the year ended 30 June 2022

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amount as % of final budget
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges - electricity revenue	1 790 122 900	(56 828 400)	**1 733 294 500**	1 562 940 002	**(170 354 498)**	**90,17 %**
Service charges - water revenue	469 985 800	158 300	**470 144 100**	556 459 020	**86 314 920**	**118,36 %**
Service charges - sanitation revenue	107 609 700	-	**107 609 700**	108 153 359	**543 659**	**100,51 %**
Service charges - refuse revenue	107 606 900	49 000	**107 655 900**	102 919 734	**(4 736 166)**	**95,60 %**
Rental of facilities and equipment	23 104 900	(3 863 800)	**19 241 100**	10 233 407	**(9 007 693)**	**53,19 %**
Interest received (Outstanding debtors)	118 000	8 000	**126 000**	387 405	**261 405**	**307,46 %**
Construction contracts revenue	-	-	**-**	78 306 911	**78 306 911**	**- %**
Agency services	6 179 400	-	**6 179 400**	4 691 626	**(1 487 774)**	**75,92 %**
Licences and permits	3 525 900	-	**3 525 900**	3 014 742	**(511 158)**	**85,50 %**
Other income	36 284 300	700 400	**36 984 700**	177 183 318	**140 198 618**	**479,07 %**
Interest received - investment	65 000 000	-	**65 000 000**	34 734 726	**(30 265 274)**	**53,44 %**
Total revenue from exchange transactions	**2 609 537 800**	**(59 776 500)**	**2 549 761 300**	**2 639 024 250**	**89 262 950**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	617 377 500	-	**617 377 500**	567 443 544	**(49 933 956)**	**91,91 %**
Property rates - penalties imposed	-	-	**-**	3 159 159	**3 159 159**	**- %**
Transfer revenue						
Government grants & subsidies	614 869 000	1 593 000	**616 462 000**	620 100 341	**3 638 341**	**100,59 %**
Public contributions and donations	-	-	**-**	163 465	**163 465**	**- %**
Fines, Penalties and Forfeits	57 082 200	553 700	**57 635 900**	20 729 768	**(36 906 132)**	**35,97 %**
Total revenue from non-exchange transactions	**1 289 328 700**	**2 146 700**	**1 291 475 400**	**1 211 596 277**	**(79 879 123)**	**99,00**
Total revenue	**3 898 866 500**	**(57 629 800)**	**3 841 236 700**	**3 850 620 527**	**9 383 827**	**101,28**
Expenditure						
Remuneration of employees	(1 084 038 100)	13 672 600	**(1 070 365 500)**	(1 032 294 399)	**38 071 101**	**96,44 %**
Remuneration of councillors	(35 115 900)	-	**(35 115 900)**	(30 528 265)	**4 587 635**	**86,94 %**
Inventory consumed	(40 961 500)	(460 129 100)	**(501 090 600)**	(502 191 459)	**(1 100 859)**	**100,22 %**
Depreciation and amortisation	(435 000 000)	35 000 000	**(400 000 000)**	(330 672 030)	**69 327 970**	**82,67 %**
Impairment loss/ Reversal of impairments	-	-	**-**	(1 548 304)	**(1 548 304)**	**- %**
Finance costs	(69 027 500)	1 995 900	**(67 031 600)**	(57 199 837)	**9 831 763**	**85,33 %**
Debt Impairment	(139 527 300)	10 943 200	**(128 584 100)**	-	**128 584 100**	**- %**
Bad debts written off	-	-	**-**	(119 892 039)	**(119 892 039)**	**- %**
Bulk purchases	(1 242 092 300)	23 090 300	**(1 219 002 000)**	(1 151 971 461)	**67 030 539**	**94,50 %**
Contracted Services	(316 498 400)	(25 765 500)	**(342 263 900)**	(453 982 122)	**(111 718 222)**	**132,64 %**
Transfers and Subsidies	(14 597 400)	380 500	**(14 216 900)**	(9 278 714)	**4 938 186**	**65,27 %**

Statement of Comparison:Budget and Actual Amount for the year ended 30 June 2022

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amount as % of final budget
General Expenses	(536 383 400)	(7 222 000)	**(543 605 400)**	(542 415 872)	**1 189 528**	**99,78 %**
Total expenditure	**(3 913 241 800)**	**(408 034 100)**	**(4 321 275 900)**	**(4 231 974 502)**	**89 301 398**	**99,64**
Operating deficit	**(14 375 300)**	**(465 663 900)**	**(480 039 200)**	**(381 353 975)**	**98 685 225**	
Loss on disposal of assets and liabilities	-	-	**-**	(23 289 489)	**(23 289 489)**	**- %**
Inventory gains	36 876 100	464 853 900	**501 730 000**	527 840 130	**26 110 130**	**105,20 %**
	36 876 100	**464 853 900**	**501 730 000**	**504 550 641**	**2 820 641**	
Surplus before taxation	**22 500 800**	**(810 000)**	**21 690 800**	**123 196 666**	**101 505 866**	
Surplus for the year from continuing operations	**22 500 800**	**(810 000)**	**21 690 800**	**123 196 666**	**101 505 866**	
Actuarial Gain / (Loss)	-	-	**-**	117 667 991	**117 667 991**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**22 500 800**	**(810 000)**	**21 690 800**	**240 864 657**	**219 173 857**	

Statement of Comparison:Budget and Actual Amount for the year ended 30 June 2022

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amount as % of final budget
Statement of Financial Position						
Assets						
Current Assets						
Inventories	56 641 004	82 309 600	**138 950 604**	130 860 521	**(8 090 083)**	**94,18 %**
Statutory receivables	63 908 502	(5 124 360)	**58 784 142**	175 529 245	**116 745 103**	**298,60 %**
VAT receivable	-	-	**-**	6 037 154	**6 037 154**	**- %**
Consumer debtors	516 480 763	(87 424 544)	**429 056 219**	674 178 423	**245 122 204**	**157,13 %**
Other Receivables	-	-	**-**	24 091 086	**24 091 086**	**- %**
Cash and cash equivalents	749 033 983	(104 878 158)	**644 155 825**	684 763 760	**40 607 935**	**106,30 %**
	1 386 064 252	**(115 117 462)**	**1 270 946 790**	**1 695 460 189**	**424 513 399**	**- %**
Non-Current Assets						
Investment property	105 073 739	15 285	**105 089 024**	98 620 081	**(6 468 943)**	**93,84 %**
Property, plant and equipment	6 859 058 100	(468 219 909)	**6 390 838 191**	6 285 442 497	**(105 395 694)**	**98,35 %**
Intangible assets	152 088 309	19 480 826	**171 569 135**	188 628 105	**17 058 970**	**109,94 %**
Heritage assets	2 464 611	-	**2 464 611**	2 464 611	**-**	**100,00 %**
	7 118 684 759	**(448 723 798)**	**6 669 960 961**	**6 575 155 294**	**(94 805 667)**	**- %**
Total Assets	**8 504 749 011**	**(563 841 260)**	**7 940 907 751**	**8 270 615 483**	**329 707 732**	**- %**
Liabilities						
Current Liabilities						
Other financial liabilities	86 307 094	-	**86 307 094**	109 923 077	**23 615 983**	**127,36 %**
Payables from exchange transactions	321 712 023	251 517 502	**573 229 525**	720 068 177	**146 838 652**	**125,62 %**
VAT payable	23 365 031	29 210 161	**52 575 192**	-	**(52 575 192)**	**- %**
Consumer deposits	74 238 349	(19 933 879)	**54 304 470**	61 180 750	**6 876 280**	**112,66 %**
Employee benefit obligation	-	-	**-**	16 838 000	**16 838 000**	**- %**
Unspent conditional grants and receipts	25 528 361	(13 089 675)	**12 438 686**	10 015 946	**(2 422 740)**	**80,52 %**
Provisions	22 520 450	1 165 116	**23 685 566**	25 205 994	**1 520 428**	**106,42 %**
	553 671 308	**248 869 225**	**802 540 533**	**943 231 944**	**140 691 411**	**117,53 %**
Non-Current Liabilities						
Other financial liabilities	751 737 513	77 222 570	**828 960 083**	806 161 902	**(22 798 181)**	**97,2 %**
Employee benefit obligation	274 723 000	24 765 200	**299 488 200**	252 740 000	**(46 748 200)**	**84,4 %**
	1 026 460 513	**101 987 770**	**1 128 448 283**	**1 058 901 902**	**(69 546 381,0)**	**93,8 %**
Total Liabilities	**1 580 131 821**	**350 856 995**	**1 930 988 816**	**2 002 133 846**	**71 145 030**	**103,68 %**
Net Assets	**6 924 617 190**	**(914 698 255)**	**6 009 918 935**	**6 268 481 637**	**258 562 702**	**104,30 %**
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Capital Replacement Reserve	363 867 500	8 265 173	**372 132 673**	-	**(372 132 673)**	**- %**

Statement of Comparison:Budget and Actual Amount for the year ended 30 June 2022

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amount as % of final budget
Accumulated surplus	6 560 749 690	(922 963 428)	**5 637 786 262**	6 268 481 637	**630 695 375**	**111,19 %**
Total Net Assets	**6 924 617 190**	**(914 698 255)**	**6 009 918 935**	**6 268 481 637**	**258 562 702**	**104,30 %**

Statement of Comparison:Budget and Actual Amount for the year ended 30 June 2022

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amount as % of final budget
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	574 161 075	(23 917 776)	**550 243 299**	473 102 167	**(77 141 132)**	**85,98 %**
Sale of goods and services	2 271 927 631	240 119	**2 272 167 750**	2 030 146 859	**(242 020 891)**	**89,35 %**
Grants	614 869 000	1 508 000	**616 377 000**	617 849 211	**1 472 211**	**100,24 %**
Interest income	65 118 000	8 000	**65 126 000**	32 259 596	**(32 866 404)**	**49,53 %**
Other receipts	126 176 700	(2 470 700)	**123 706 000**	67 970 918	**(55 735 082)**	**54,95 %**
	3 652 252 406	**(24 632 357)**	**3 627 620 049**	**3 221 328 751**	**(406 291 298)**	**88,80 %**
Payments						
Employee costs	(1 084 038 100)	13 672 600	**(1 070 365 500)**	(1 006 396 647)	**63 968 853**	**94,02 %**
Suppliers	(2 048 794 060)	140 782 472	**(1 908 011 588)**	(1 896 710 651)	**11 300 937**	**99,41 %**
Finance costs	(69 027 500)	2 005 300	**(67 022 200)**	(56 341 247)	**10 680 953**	**84,06 %**
Transfers and subsidies	(14 597 400)	380 500	**(14 216 900)**	(9 381 576)	**4 835 324**	**65,99 %**
	(3 216 457 060)	**156 840 872**	**(3 059 616 188)**	**(2 968 830 121)**	**90 786 067**	**97,03 %**
Net cash flows from operating activities	**435 795 346**	**132 208 515**	**568 003 861**	**252 498 630**	**(315 505 231)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	-	-	**-**	(622 627 841)	**(622 627 841)**	**- %**
Proceeds from sale of property, plant and equipment	-	-	**-**	140 000	**140 000**	**- %**
Purchase of other intangible assets	-	-	**-**	(50 346 346)	**(50 346 346)**	**- %**
Decrease (increase) in non current investments	23 371 950	(23 371 950)	**-**	-	**-**	**- %**
Purchase of other receivables	(780 697 100)	(53 833 200)	**(834 530 300)**	-	**834 530 300**	**- %**
Net cash flows from investing activities	**(757 325 150)**	**(77 205 150)**	**(834 530 300)**	**(672 834 187)**	**161 696 113**	**80,62 %**
Cash flows from financing activities						
Repayment of other financial liabilities	-	(89 590 988)	**(89 590 988)**	(89 590 988)	**-**	100.12%
Proceeds from long term borrowings	-	374 000 000	**374 000 000**	374 000 000	**-**	
Movement in consumer deposits	3 056 389	(3 056 389)	**-**	-	**-**	
Net cash flows from financing activities	**3 056 389**	**281 352 623**	**284 409 012**	**284 409 012**	**-**	

Statement of Comparison:Budget and Actual Amount for the year ended 30 June 2022

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amount as % of final budget
Net increase/(decrease) in cash and cash equivalents	(318 473 415)	336 355 988	**17 882 573**	(135 926 545)	**(153 809 118)**	**(760,11)%**
Cash and cash equivalents at the beginning of the year	823 741 245	(3 051 245)	**820 690 000**	820 690 308	**308**	**100,00 %**
Cash and cash equivalents at the end of the year	**505 267 830**	**333 304 743**	**838 572 573**	**684 763 763**	**(153 808 810)**	**81,66 %**
Capital expenditure						
Budget and Treasury Office	48 889 800	48 840 500	**97 730 300**	79 959 161	**(17 771 139)**	**81,82 %**
Community and Social Services	65 932 800	(27 452 200)	**38 480 600**	12 445 299	**(26 035 301)**	**32,34 %**
Electricity	83 598 100	80 289 600	**163 887 700**	129 262 186	**(34 625 514)**	**78,87 %**
Executive and Council	127 000	(127 000)	**-**	-	**-**	**- %**
Environmental protection	4 400 700	(2 000 000)	**2 400 700**	-	**(2 400 700)**	**- %**
Planning and Development	48 878 500	(46 421 200)	**2 457 300**	226 530	**(2 230 770)**	**9,22 %**
Public Safety	1 111 000	(299 100)	**811 900**	230 377	**(581 523)**	**28,38 %**
Sport and Recreation	60 876 900	(12 797 400)	**48 079 500**	34 433 007	**(13 646 493)**	**71,62 %**
Waste Management	-	-	**-**	712 936	**712 936**	**- %**
Waste Water Management	69 416 300	(4 370 200)	**65 046 100**	38 475 651	**(26 570 449)**	**59,15 %**
Water	300 442 600	(25 733 200)	**274 709 400**	267 730 172	**(6 979 228)**	**97,46 %**
Road Transport	127 793 700	(6 366 900)	**121 426 800**	111 125 667	**(10 301 133)**	**91,52 %**
Other	19 500 000	-	**19 500 000**	-	**(19 500 000)**	**- %**
Total expenditure	**830 967 400**	**3 562 900**	**834 530 300**	**674 600 986**	**(154 775 227)**	**80,84%**

Accounting Policies for the year ended 30 June 2022

1. Presentation of Annual Financial Statements

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 annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) with the exception of certain accounting policies adopted in accordance with International Accounting Standards (IAS).

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

- GRAP 1 Presentation of Financial Statement
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Error
- GRAP 5 Borrowing Costs
- GRAP 9 Revenue from Exchange Transactions
- GRAP 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events after the Reporting Date
- GRAP 16 Investment property
- GRAP 17 Property, Plant and Equipment
- GRAP 18 Segment Reporting
- GRAP 19 Provisions, Contingent Liabilities and Contingent Asset
- GRAP 20 Related Party
- GRAP 21 Impairment of non-cash generating asset
- GRAP 23 Revenue from Non-exchange transactions
- GRAP 24 Presentation of budget information
- GRAP 25 Employee benefits
- GRAP 31 Intangible Assets
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the Municipality:

-
- IGRAP 21 The effect of past decisions on materiality - effective 1 April 2023
- IGRAP 7 The limit on a defined benefit asset, minimum funding requirements and their interaction - no effective date yet)

The following GRAP standards have been issued and effective but are not applicable to the Municipality.

- GRAP 4 The effects of changes in foreign exchange rates
- GRAP 6 Consolidated and separate financial statements
- GRAP 7 Investments in associate
- GRAP 8 Interest in joint ventures
- GRAP 10 Financial reporting in hyperinfationary economics
- GRAP 27 Agriculture
- GRAP 32 Standard of GRAP on Service Concession Arrangements: Grantor
- GRAP 34 Separate financial statements
- GRAP 35 Consolidated financial statements
- GRAP 36 Investments in Associates and joint ventures
- GRAP 37 Joint arrangements
- GRAP 38 Disclosure of interests in other entities
- GRAP 105 Transfers of functions between entities under common control
- GRAP 106 Transfers of functions between entities not under common control
- GRAP 107 Mergers

Accounting Policies for the year ended 30 June 2022

1.1 Presentation currency

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

1.2 Going concern assumption

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

Management considers key financial metrics and approved medium-term budgets, MFMA Section 71 reports together with the municipality's dependency on grants from national and provincial government, to conclude that the going concern assumption used in the compiling of its annual financial statements, is appropriate. The COVID-19 disaster has not yet affected the going concern assumption however management is continuously assessing any indicators of negative impact particularly increases in accounts receivables.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

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

Budget information
Variances between budget and actual amounts are regarded as material when there is a variance of:
- 20% or greater in the statement of financial position, the statement of financial performance and the cash flow statement

1.4 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.5 Significant judgements and sources of estimation uncertainty

The preparation of the Municipality's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Municipality's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Operating lease – Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Accounting Policies for the year ended 30 June 2022

1.5 Significant judgements and sources of estimation uncertainty (continued)

Depreciation and impairment

The Municipality depreciates its assets over their estimated useful lives taking into account residual values, where appropriate. The appropriateness of its assets' estimated useful lives, residual values and their depreciation methods are re-assessed on an annual basis. The actual lives of these assets and their respective residual values may vary depending on a variety of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

Management used their judgement in applying the internal and external impairment indicators to its assets.

Consumer receivables

At year-end management makes an estimate of the amount of total outstanding customer debt that it expects to hand over to external debt collectors and the total subsequent receipts it expects to receive after year end. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over and based on prior experience and trends. A provision for impairment is raised based on these estimates.

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 15 - Provisions.

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

1.6 Comparative figures

Prior year Comparative

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 is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Current year Comparative

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

1.7 Property, plant and equipment

Initially recognition

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

Accounting Policies for the year ended 30 June 2022

1.7 Property, plant and equipment (continued)

Infrastructure assets in particular are those that are part of a system or network, specialized in nature and do not have alternative uses, immovable and maybe subject to constraints on disposal.

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

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. 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 the municipality.

Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured.

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

Subsequently all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the municipality on each asset.

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

The Municipality assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value. The change(s) are accounted for in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Depreciation only commences when the asset is available for use.

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

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

Accounting Policies for the year ended 30 June 2022

1.7 Property, plant and equipment (continued)

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

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

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

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

The municipality discloses relevant information relating to assets that are work in progress, in the notes to the financial statements (see note 8).

The table below shows the depreciation methods and average useful lives.

Buildings	Straight line	30 years
Roads and paving	Straight line	15-65 years
Watercraft	Straight line	15 year
Furniture and fixtures	Straight line	7 years
Motor vehicles	Straight line	3-7 years
Office equipment	Straight line	3-5 years
Pedestrian bridges	Straight line	30 years
Electricity infrastructure	Straight line	20-30 years
Community	Straight line	5-30 years
Water infrastructure	Straight line	15-65 years
Sewerage infrastructure	Straight line	15-30 years
Housing	Straight line	30 years
Specialised plant and equipment	Straight line	10-15 years
Bins and containers	Straight line	5-10 years
Other property, plant and equipment	Straight line	2-5 years
Specialised vehicles	Straight line	10 years

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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.

Accounting Policies for the year ended 30 June 2022

1.8 Leases (continued)

Operating leases - lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Leased assets are classified as investment property measured at cost model and depreciation on leased assets has been calculated in accordance with GRAP 17 Property, plant and equipment.

Operating leases - lessee

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

1.9 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Useful life is either:

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies for the year ended 30 June 2022

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

Reversal of an impairment loss

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

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

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

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

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

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

Internal sources of information
- Evidence of physical damage of an asset;
- Increased expenditure on repairs and maintenance on the asset.

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

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

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

The value in use is the present value of the asset's remaining service potential expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

1.10 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses and development costs.

An asset is identifiable when it:
- 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, assets or liability, or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the Municipality or from other rights and obligations.

Initial recognition

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or the 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

Accounting Policies for the year ended 30 June 2022

1.10 Intangible assets (continued)

- the Municipality intends to complete the intangible asset for use or sale,
- the Municipality has the ability to use or sell the asset,
- the Municipality can reliably measure expenditure during development,
- it is technically feasible to complete the intangible asset,
- the Municipality has the resources to complete the project, and,
- it is probable that the Municipality will receive future economic benefits or service potential.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Amortisation and impairment

The cost of an intangible asset is amortised over the useful life of 3 - 7 years.

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.

An intangible asset with an indefinite useful life is not amortised.

Subsequent measurement

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

Derecognition

An intangible asset is derecognised when it is permanently withdrawn from use and no future economic benefit or service potential is derived from it. The gain or loss arising from the disposal of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It is recognised in surplus or deficit when the intangible asset is derecognised.

Assets Under Construction

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

1.11 Investment property

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

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

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.

Initial recognition

Investment property is recognised as an asset, only where:

Accounting Policies for the year ended 30 June 2022

1.11 Investment property (continued)

- It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and
- The cost or fair value of the investment property can be measured reliably.

Investment properties have been initially measured at cost (Transaction costs shall be included in this initial measurement).Transaction costs are costs which are directly attributable to the expenditure, for example professional fees for legal services, conveyancing fees, property transfer taxes and other transaction costs shall be included in this initial measurement.

If payment for investment property is deferred, its cost is the cash price equivalent.

The difference between this amount and the total payments is recognised as interest expense over the period of credit.

Subsequent measures

Subsequently investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on cost, using the straight-line method over the useful life of the property. Buildings held under Investment property are depreciated on an average useful life of 30 years. Vacant land held under investment properties is not depreciated.

Derecognition

An investment property is derecognised upon disposal, or when it is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Any gain or loss arising from the retirement or disposal of investment property is included in surplus or deficit in the period of the retirement or disposal.

1.12 Inventories

Consumable are mostly used by the municipality and not sold. Thus, the consumables are subsequently measured at lower of cost and current replacement cost. Not, net realisable value. Water is sold and thus subsequently measured at lower of cost and net realisable value.

Water for distribution is measured using weighted average method. Additions to water for distribution is accounted in two ways, namely bulk purchases and own production. Bulk purchases are capitalized in inventory based on actual costs from the service provider. Own productions is capitalised based on all the costs associated with producing water. Capitalised production costs are accounted for as inventory water gains in the Statement of Financial Performance and inventory water in the Statement of Financial Position.

In general, the basis of determining cost is not the first-in, first-out method. The FIFO is only used for consumables.

Land is initially recognised at cost, which is the fair value at recognition date.

Redundant and slow-moving inventories are not all written down to current replacement cost. Only consumables can be. Water and land must be written down to net realisable value.

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.

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

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

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

Accounting Policies for the year ended 30 June 2022

1.13 Revenue from exchange transactions (continued)

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

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

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

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

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

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

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue in the period of consumption. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month in which they were read. Revenue from the sale of electricity prepaid meter cards is deferred and recognised as revenue on the consumption basis, commencing on date of purchase.

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 number of refuse containers on each property, regardless of whether or not all containers are emptied.

Service charges from sewerage are based on the water consumption on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time apportionment basis.

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

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risks and rewards of ownership of the goods is passed to the consumer.

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts allowed by the Municipality.

1.14 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality may receive revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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 proportion basis.

Fines constitute both spot fines and summons. Revenue from spot fines and summons is recognised when it is accrued. Spot fines are usually not given directly to the offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect to summons, the Public Prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

Donations are recognised on a cash reciept basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use. Furthermore revenue from Public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality.

Where public contributions have been received by the municipality has not met the related conditions, a deferred income (liability) is recognised.

Accounting Policies for the year ended 30 June 2022

1.14 Revenue from non-exchange transactions (continued)

Revenue from the recovery of unauthorised, irregular and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors of officials is virtually certain.

The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.15 Provisions and contingencies

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Contingent Liabilities and Assets are not recognized but disclosed.

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

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

1.16 Housing development fund

Housing selling schemes both complete and in progress at 1 April 1998, were also transferred to the Housing Development Fund. All proceeds from housing developments, which include rental income and sales of houses, is paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area. Any transfers to and from the fund are recognized in the statement of changes in net assets.

1.17 Retirement benefits

The Municipality provides post-retirement medical aid benefits to retired employees. The entitlement to these benefits is usually conditional on the employee remaining in employment up to retirement age.

An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

The Expected costs of these benefits are accrued of the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in the statement of financial performance for the reporting period. The Defined benefit obligations are valued every year by independent qualified actuaries.

1.18 Borrowing costs

Borrowing costs incurred are recognised as an expense in the Statement of Financial Performance in the period in which they are incurred in accordance with GRAP 5.

1.19 Financial instruments

Classification

The Municipality has types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

Subsequent measurement of financial assets and financial liabilities

Financial assets are categorised according to their nature as financial assets at amortised costs and financial liabilities are categorized as financial liabilities carried at amortised cost in accordance with GRAP 104.

Accounting Policies for the year ended 30 June 2022

1.19 Financial instruments (continued)

Financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition.

Receivables from exchange transactions and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. The fair value of Debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.

Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as Financial assets: loans and receivables. The closing balance on the bank account is representative of its fair value of the monies held.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as Financial liabilities: other financial liabilities carried at amortised cost.

Financial liabilities

Payables from exchange transactions and Consumer deposits

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. The fair value of creditors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Other financial liabilities

Borrowings are recognised initially at fair value, net transaction costs incurred. Long-term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long-term borrowings are utilised. Other financial liabilities are carried at amortised cost.

The interbank rate or prime lending rate is not the risk-free interest rate, however it has been used as a benchmark for determining the market related rate of interest which is not significantly different to the current rates on long-term loans, hence the fair value of these loans equates their amortised cost.

Accounting Policies for the year ended 30 June 2022

1.20 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations. A heritage asset shall be recognised as an asset if, and only if,

(a) It is probable that the economic benefit or service potential will flow to the Municipality,

(b) The cost or the fair value will be measured reliably.

Initial measurement

A heritage asset that qualifies for recognition as an asset shall be measured at its cost (Cash price equivalent at the recognition date). Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

Subsequent measurement

Heritage assets are not depreciated, since their long economic life and high residual value mean that any depreciation would be immaterial.

After recognition as an asset, heritage assets shall be carried at its cost less any accumulated impairment losses. The Municipality assesses at each reporting date whether there are any indicators of impairment of Heritage assets.

Where there is an indication of impairment the assets are recorded at their recoverable amount or their recoverable service amount.

Heritage Assets

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

Derecognition

A Heritage asset is de-recognised when it is disposed or where there is no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from de-recognition, is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognized.

1.21 Short term benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.22 Grants in aid

The Municipality donates money, goods or services to individuals, organisations and other sectors of government from time to time. When making these donations, the Municipality does not:
Receive any goods or services directly in return as would be expected in a purchase or sale transaction;
Expect to be repaid in future; or
Expect a financial return, as would be expected from an investment.

These transfers are recognized in the statement of financial performance as expenses in the period during which events giving rise to the transfer occurred.

Accounting Policies for the year ended 30 June 2022

1.23 Budget information

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

The budget is prepared on an accrual basis. The budget amounts are scheduled as a separate additional financial statement called the statement of comparison of budget and actual amounts.

Explanatory comments are provided in the notes to the annual financial statements, first stating reasons for changes from approved to final budget and secondly reasons for overspending or underspending on line items.

1.24 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003)

1.25 Irregular expenditure

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

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and when covered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as an expense in the Statement of Financial Performance and when covered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Value-added Tax

VAT

The Municipality accounts for Value Added Tax on payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

1.28 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. The municipality currently has property rates and fines classified in this category.

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

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

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

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

Recognition

Accounting Policies for the year ended 30 June 2022

1.28 Statutory receivables (continued)

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 exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Impairment losses

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

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

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

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.

Accounting Policies for the year ended 30 June 2022

1.28 Statutory receivables (continued)

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

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

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

1.29 Construction contracts - Housing Projects

The Municipality has a level two accreditation in terms of its participation on the National Housing Programme. It is a project developer in terms of the arrangement to construct and transfer houses to the beneficiaries of the Programme.

Funds received to implement the National Housing Programme are recognised as contract revenue.

Contract revenue comprises:

(a) the initial amount of revenue agreed in the contract; and

(b) variations in contract work, claims and incentive payment to the extent that:

(i) it is probable that they will result in revenue; and

(ii) they are capable of being reliably measured.

Contract revenue is measured at the fair value of the consideration received or receivable.

When the outcome of a construction contract can be estimated reliably, contract revenue is recognised as revenue by reference to the stage of completion of the contract activity at the reporting date.

Cost incurred to implement the National Housing Programme are expensed as conract cost.

Contract costs comprise:

(a) costs that relate directly to the specific contract;

(b) costs that are attributable to contact activity in general and can be allocated to the on a systematic and rational basis; and

(c) other costs are specifically chargeable to the customer under the terms of the contract.

Contract costs include the costs attributable to a contract for the period from the date of securing the contract to the finanl completion of the contract. Costs that cannot be attributed to contract activity or cannot be allocated to a contract are excluded from the costs of a construction contract.

Accounting Policies for the year ended 30 June 2022

1.30 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 made in respect of capital commitments for all contracts that are ongoing and not yet completed.

- 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.

1.31 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.

Recognition

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.

1.32 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The following guidelines are set for the creation and utilisation of the CRR:

1) The cash funds that back up the CRR are invested until utilised.
2) The CRR may only be utilised for purchasing items of property, plant and equipment, and not their maintenance, unless otherwise directed by Council.
3) Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from CRR and accumulated surplus is credited by a corresponding amount.

Accounting Policies for the year ended 30 June 2022

1.32 Internal reserves (continued)

Self insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that arises from municipal fleet that is not insured externally. The balance of the Self-Insurance Reserve is determined based on the insurance risk carried by the municipality and past claims history. The balance of the self-insurance fund is invested in short-term cash investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

1.33 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.

1.34 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.

Accounting Policies for the year ended 30 June 2022

1.34 Related parties (continued)

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

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

1.35 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

Notes to the Annual Financial Statements for the year ended 30 June 2022

2. Inventories

		2022	2021
Consumable stores		34 040 457	19 833 245
Water for distribution		3 513 263	2 552 444
Land		93 306 801	93 306 801
		130 860 521	**115 692 490**

Inventory pledged as security

During the year no Inventory was pledged as security.

Water for distribution

		2022	2021
Opening balance		2 552 443	2 552 443
Bulk purchases		136 085 736	118 549 374
Own production (Inventory gain)		527 840 130	517 060 858
Water losses	33	(260 004 342)	(278 443 880)
Inventory consumed (Authorised consumption)		(402 960 704)	(357 166 351)
Closing balance		**3 513 263**	**2 552 444**

Water for distribution has been aligned to the water balance model as per National Treausury Circular 98. The effect of this has necessitated reclassification of water bulk purchases from the statement of financial performance to be recognised directly under inventory water.

Notes to the Annual Financial Statements for the year ended 30 June 2022

3. Statutory Receivables

	2022	2021
Fines	71 678 090	124 395 775
Property rates	185 183 578	93 754 200
Impairment - Rates	(39 680 000)	(56 802 865)
Impairment - Fines	(41 652 423)	(96 606 454)
	175 529 245	**64 740 656**

Statutory receivables general information

Transaction(s) arising from statute

Property Rates

Property rates are levied in terms of the Local Government: Municipal Property Rates Act No 6 of 2004, hence this is therefore recognised as a Statutory receivables. The receivable is calculated by the Council Approved rates randages against the valuation of the individual properties within the Municipality's jurisdiction. Council Approved rebates and exemptions are further applied to reduce the receivables.

Fines

Traffic fines are issued to offenders in terms of the Criminal Procedures Act, hence this is therefore recognised as a Statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law.

Interest or other charges levied/charged

The Municipality charges interest on all outstanding debtor balances older than 30 days in respect of the property rates account at a simple interest rate of Prime plus 1%.

Basis used to assess and test whether a statutory receivable is impaired

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. When the carrying amount is higher than the estimated future cash flows, the carrying amount of the Statutory receivable is reduced. The amount of loss is recognised in the surplus or deficit.

Notes to the Annual Financial Statements for the year ended 30 June 2022

3. Statutory Receivables (continued)

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2022, 19 711 259 (2021: 16 564 558) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2022	2021
1 month past due	11 918 914	7 742 380
2 months past due	7 792 345	8 822 178

	2022	2021
Rates		
Current (0-30 days)	109 014 590	50 685 777
31-60 days	11 392 514	4 378 380
61-90 days	7 373 520	3 080 178
91-120 days	4 309 976	2 676 493
121-365 days	24 271 929	17 748 239
>365 days	28 821 050	20 459 232
	185 183 579	**99 028 299**

	2022	2021
Fines		
Current (0-30 days)	379 075	2 096 985
31-60 days	526 400	3 364 000
61-90 days	418 825	5 742 000
91-120 days	578 975	5 082 950
121-365 days	13 245 775	37 947 700
>365 days	56 529 040	70 162 140
	71 678 090	**124 395 775**

Reconciliation of provision for impairment for statutory receivables

	2022	2021
Opening balance	(153 409 318)	(206 601 249)
Contribution	72 076 896	53 191 931
	(81 332 422)	**(153 409 318)**

4. Receivables from exchange transactions

	2022	2021
Gross balances		
Electricity	180 437 113	208 205 002
Water	588 646 241	354 813 699
Sewerage	30 055 920	16 430 845
Refuse	34 076 704	19 378 009
Sundry Debtors	94 331 910	86 536 791
Housing rental	22 840 535	14 570 276
	950 388 423	**699 934 622**

Notes to the Annual Financial Statements for the year ended 30 June 2022

4. Receivables from exchange transactions (continued)

	2022	2021
Less: Allowance for impairment		
Electricity	(65 750 000)	(51 567 927)
Water	(173 990 000)	(233 998 663)
Sewerage	(8 400 000)	(9 876 369)
Refuse	(7 450 000)	(10 797 615)
Sundry Debtors	(14 030 000)	(25 675 885)
Housing rental	(6 590 000)	(8 400 759)
	(276 210 000)	**(340 317 218)**
Net balance		
Electricity	114 687 113	156 637 075
Water	414 656 241	120 815 036
Sewerage	21 655 920	6 554 476
Refuse	26 626 704	8 580 394
Sundry Debtors	80 301 910	60 860 906
Housing rental	16 250 535	6 169 517
	674 178 423	**359 617 404**
Electricity		
Current (0 -30 days)	124 192 798	185 552 353
31 - 60 days	27 464 212	5 603 265
61 - 90 days	9 910 015	2 462 270
91 - 120 days	5 523 936	1 674 339
121 - 365 days	8 635 305	8 471 729
> 365 days	4 710 847	4 441 046
Less: Allowance for impairment	(65 750 000)	(51 567 927)
	114 687 113	**156 637 075**
Water		
Current (0 -30 days)	144 459 050	116 820 000
31 - 60 days	36 410 390	28 061 911
61 - 90 days	19 163 174	19 154 052
91 - 120 days	46 156 256	17 075 144
121 - 365 days	110 706 183	87 562 772
> 365 days	231 751 188	86 139 820
Less: Allowance for impairment	(173 990 000)	(233 998 663)
	414 656 241	**120 815 036**
Sewerage		
Current (0 -30 days)	11 869 987	8 735 013
31 - 60 days	3 721 107	1 592 678
61 - 90 days	1 488 381	880 860
91 - 120 days	1 443 474	894 926
121 - 365 days	5 747 767	(449 610)
> 365 days	5 785 204	4 776 979
Less: Allowance for impairment	(8 400 000)	(9 876 370)
	21 655 920	**6 554 476**

Notes to the Annual Financial Statements for the year ended 30 June 2022

4. Receivables from exchange transactions (continued)

	2022	2021
Refuse		
Current (0 -30 days)	18 141 799	9 397 657
31 - 60 days	5 682 994	1 143 891
61 - 90 days	1 325 328	783 299
91 - 120 days	884 143	788 423
121 - 365 days	4 206 805	4 478 520
> 365 days	3 835 635	2 790 133
Less: Allowance for impairment	(7 450 000)	(10 801 529)
	26 626 704	**8 580 394**

	2022	2021
Sundry Debtors		
Current (0 -30 days)	54 360 567	26 734 410
31 - 60 days	438 997	368 751
61 - 90 days	199 355	8 050 192
91 - 120 days	499 272	(112 072)
121 - 365 days	1 953 303	(259 057)
> 365 days	36 880 416	51 754 567
Less: Allowance for impairment	(14 030 000)	(25 675 885)
	80 301 910	**60 860 906**

	2022	2021
Housing rental		
Current (0 -30 days)	4 092 129	2 212 426
31 - 60 days	2 395 928	280 359
61 - 90 days	1 934	248 950
91 - 120 days	1 208 600	410 108
121 - 365 days	3 698 477	1 870 887
> 365 days	11 443 467	9 547 546
Less: Allowance for impairment	(6 590 000)	(8 400 759)
	16 250 535	**6 169 517**

Notes to the Annual Financial Statements for the year ended 30 June 2022

4. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

	2022	2021
Consumers		
Current (0 -30 days)	69 462 979	65 654 992
31 - 60 days	4 871 738	3 999 460
61 - 90 days	5 875 791	4 363 103
91 - 120 days	6 221 079	4 978 144
121 - 365 days	29 621 313	31 358 678
> 365 days	101 177 400	77 522 164
	217 230 300	187 876 541
Less: Allowance for impairment	(69 744 089)	(81 433 701)
	147 486 211	**106 442 840**
Industrial/ commercial		
Current (0 -30 days)	204 848 135	238 801 834
31 - 60 days	5 807 249	30 643 114
61 - 90 days	4 011 161	18 960 541
91 - 120 days	2 919 159	12 715 552
121 - 365 days	5 376 103	74 482 456
> 365 days	48 912 609	129 021 009
	271 874 416	504 624 506
Less: Allowance for impairment	(68 795 023)	(255 343 158)
	203 079 393	**249 281 348**
National and provincial government		
Current (0 -30 days)	159 185 462	2 278 268
31 - 60 days	21 453 133	112 185
61 - 90 days	45 826 506	99 213
91 - 120 days	17 261 236	99 818
121 - 365 days	75 043 787	1 734 413
> 365 days	142 513 582	3 109 678
	461 283 706	7 433 575
Less: Allowance for impairment	(137 670 887)	(3 540 359)
	323 612 819	**3 893 216**
Total		
Current (0 -30 days)	357 116 331	320 812 117
31 - 60 days	76 113 628	36 962 580
61 - 90 days	32 088 187	31 418 554
91 - 120 days	55 715 681	20 498 938
121 - 365 days	134 947 840	105 989 300
> 365 days	294 406 756	184 253 133
	950 388 423	699 934 622
Less: Allowance for impairment	(276 210 000)	(340 317 218)
	674 178 423	**359 617 404**
Less: Allowance for impairment		
> 365 days	(276 210 000)	(340 317 218)

Notes to the Annual Financial Statements for the year ended 30 June 2022

4. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

	2022	2021
Balance at beginning of the year	(340 317 218)	(249 715 452)
Contributions to allowance	64 107 218	(90 601 766)
	(276 210 000)	**(340 317 218)**

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2022, 108 201 815 (2021: 68 630 478) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2022	2021
1 month past due	76 113 628	37 050 855
2 months past due	32 088 187	31 579 623

5. Other receivables

	2022	2021
Accrued Interest	5 988 311	8 463 440
Prepayments and advances	14 850 432	10 186 280
Other	3 252 343	6 499 515
	24 091 086	**25 149 235**

6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2022	2021
Cash on hand	20 611	38 932
Cash book balances	134 310 947	190 651 376
Short-term deposits	550 432 205	630 000 000
	684 763 763	**820 690 308**

Short-term deposits

As at the end of the financial year, the Municipality had the following call and fixed deposits:

	2022	2021
Standard Bank (Call deposit)	40 000 000	20 000 000
Standard Bank (Fixed deposit)	150 432 205	260 000 000
Nedbank (Fixed deposit)	180 000 000	180 000 000
ABSA (Fixed deposit)	180 000 000	170 000 000
	550 432 205	**630 000 000**

Notes to the Annual Financial Statements for the year ended 30 June 2022

6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Absa Bank - Cheque - 2150000028	17 375 255	165 208 122	48 991 823	18 217 065	166 650 913	49 958 239
Absa Bank -Deposit - 2150000095	11 370 583	50 000	31 556 561	14 412 144	3 655 065	39 771 349
Absa Bank -Deposit - 9123615121	491 939	478 958	463 994	491 969	478 958	465 577
Absa Bank -Deposit - 9171373496	2 861 878	2 786 215	2 699 165	2 861 908	2 786 215	2 708 372
Absa Bank -Deposit - 9092247889	6 911 286	6 759 896	6 590 677	6 919 811	6 765 859	6 601 168
Absa Bank -Deposit - 9171373917	5 880 045	5 726 625	5 547 708	5 880 074	5 726 625	5 566 631
Absa Bank -Deposit - 9233674990	30 634 614	4 344	4 267	30 517 770	(121 511)	4 278
Absa Bank -Deposit - 9272068005	1 739 493	1 706 482	1 658 470	1 751 732	1 706 913	1 659 224
Absa Bank -Deposit - 4079286548	56 495	328 090	119 656	3 710	3 710	3 710
Absa Bank -Deposit - 9283221999	1 565 059	1 638 915	1 997 088	1 722 358	1 837 491	2 007 986
Absa Bank -Deposit - 9082916767	1 063 378	1 035 283	1 127 309	1 161 139	1 161 139	1 129 175
Absa Bank -Deposit - 9203780620	50 371 266	-	-	50 371 266	-	-
Total	**130 321 291**	**185 722 930**	**100 756 718**	**134 310 946**	**190 651 377**	**109 875 709**

Notes to the Annual Financial Statements for the year ended 30 June 2022

Figures in Rand

7. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	106 618 858	(7 998 777)	98 620 081	106 618 858	(7 503 386)	99 115 472

Reconciliation of investment property - 2022

	Opening balance	Depreciation	Total
Investment property	99 115 472	(495 391)	98 620 081

Reconciliation of investment property - 2021

	Opening balance	Reclassification	Restatements	Impairments	Depreciation	Total
Investment property	87 281 139	599 180	11 767 458	(8 516)	(523 789)	99 115 472

Pledged as security

During the year there was no Investment Property pledged as security.

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

Maintenance of investment property

There was no repairs and maintenance of Investment Property..

Notes to the Annual Financial Statements for the year ended 30 June 2022

Figures in Rand

8. 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	1 052 714 469	-	1 052 714 469	1 054 071 451	-	1 054 071 451
Operational Buildings	329 860 348	(183 770 920)	146 089 428	321 270 861	(172 950 578)	148 320 283
Plant and machinery	408 397 645	(221 789 719)	186 607 926	368 399 326	(197 624 784)	170 774 542
Transport assets	123 190 688	(81 887 287)	41 303 401	122 403 015	(70 983 871)	51 419 144
Infrastructure	12 420 917 072	(8 047 087 086)	4 373 829 986	11 959 998 135	(7 876 056 823)	4 083 941 312
Community	607 003 521	(270 303 434)	336 700 087	572 343 336	(249 950 218)	322 393 118
Other property, plant and equipment	83 138 740	(63 615 602)	19 523 138	78 213 135	(59 334 616)	18 878 519
Housing	182 886 221	(54 212 159)	128 674 062	182 886 221	(46 462 702)	136 423 519
Total	**15 208 108 704**	**(8 922 666 207)**	**6 285 442 497**	**14 659 585 480**	**(8 673 363 592)**	**5 986 221 888**

Notes to the Annual Financial Statements for the year ended 30 June 2022

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Work in Progress	Disposals	Reclassification	Depreciation	Impairment loss	Total
Land	1 054 071 451	-	-	(1 356 982)	-	-	-	1 052 714 469
Operational Buildings	148 320 283	1 990 057	7 590 250	(133 138)	(324 714)	(11 353 310)	-	146 089 428
Plant and machinery	170 774 542	40 737 873	-	(89 179)	(42 133)	(24 773 177)	-	186 607 926
Transport Assets	51 419 144	787 672	-	-	-	(10 903 415)	-	41 303 401
Infrastructure	4 083 941 312	122 716 989	408 550 087	(20 318 726)	(3 468 567)	(216 042 804)	(1 548 305)	4 373 829 986
Community	322 393 118	4 500 180	32 356 412	(1 483 998)	3 793 280	(24 858 905)	-	336 700 087
Other property, plant and equipment	18 878 519	5 025 117	-	(47 485)	42 134	(4 375 147)	-	19 523 138
Housing	136 423 519	-	-	-	-	(7 749 457)	-	128 674 062
	5 986 221 888	**175 757 888**	**448 496 749**	**(23 429 508)**	**-**	**(300 056 215)**	**(1 548 305)**	**6 285 442 497**

Notes to the Annual Financial Statements for the year ended 30 June 2022

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Work in Progress	Disposals	Reclassification	Restatement	Depreciation	Impairment loss	Total
Land	1 223 873 075	-	-	(171 878 966)	2 077 342	-	-	-	1 054 071 451
Operational Buildings	159 127 972	3 715 599	-	(149 626)	849 703	(834 866)	(14 322 488)	(66 011)	148 320 283
Plant and machinery	179 631 261	12 806 514	-	(600 181)	1 750 862	3 244 405	(26 058 319)	-	170 774 542
Transport Assets	42 959 547	12 931 627	-	(1 194 419)	(822 013)	8 760 227	(11 215 825)	-	51 419 144
Infrastructure	4 023 789 754	53 240 244	263 292 078	(6 424 339)	(2 864 812)	(3 392 118)	(243 036 896)	(662 599)	4 083 941 312
Community	318 221 269	5 188 143	25 197 452	(743 903)	-	112 939	(25 105 876)	(476 906)	322 393 118
Other property, plant and equipment	19 818 600	4 497 744	-	(60 046)	(1 590 265)	1 029 917	(4 817 431)	-	18 878 519
Housing	143 842 685	4 567 036	-	(1 515 455)	-	-	(10 470 747)	-	136 423 519
	6 111 264 163	**96 946 907**	**288 489 530**	**(182 566 935)**	**(599 183)**	**8 920 504**	**(335 027 582)**	**(1 205 516)**	**5 986 221 888**

Pledged as security

No assets were pledged as security.

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Housing	5 589 530	-
The delay is due to budget issues.		
Community	992 474	725 873
The delays are due to community challenges.		
Other Assets	372 169	10 858 502
At a design stage		
Infrastructure	29 923 842	32 699 011
Electricity: Awaiting the connection of 32 high mast installations.		
Water: Delays due to issues on site with the contractor.		
	36 878 015	**44 283 386**

Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021

8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Operational Buildings	Included within Housing	Total
Opening balance	639 233 809	40 699 238	12 898 140	5 589 530	698 420 717
Additions/capital expenditure	408 550 086	32 356 412	7 590 250	-	448 496 748
Transferred to completed items	(250 639 074)	(3 859 689)	(385 894)	-	(254 884 657)
	797 144 821	**69 195 961**	**20 102 496**	**5 589 530**	**892 032 808**

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Operational Buildings	Included within Housing	Total
Opening balance	444 076 147	37 402 994	19 392 349	5 589 530	506 461 020
Additions/capital expenditure	263 292 078	25 197 452	2 066 255	-	290 555 785
Prior year reclassification	(37 185 446)	(99 330)	(5 752 723)	-	(43 037 499)
Transferred to completed items	(30 948 970)	(21 801 878)	(2 807 742)	-	(55 558 590)
	639 233 809	**40 699 238**	**12 898 139**	**5 589 530**	**698 420 716**

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

	2022	2021
Employee related costs	207 420 961	198 945 054
Contracted services	131 590 670	86 196 593
Material	74 449 388	76 075 623
Transport	13 017 325	7 377 718
	426 478 344	**368 594 988**

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

Notes to the Annual Financial Statements for the year ended 30 June 2022

Figures in Rand

9. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Patents, trademarks and other rights	9 576 953	(91 834)	9 485 119	-	-	-
Computer software, other	230 365 259	(54 774 731)	175 590 528	189 595 867	(24 746 140)	164 849 727
Servitudes	3 552 458	-	3 552 458	3 552 458	-	3 552 458
Total	**243 494 670**	**(54 866 565)**	**188 628 105**	**193 148 325**	**(24 746 140)**	**168 402 185**

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Work in Progress	Amortisation	Total
Patents, trademarks and other rights	-	9 576 953	-	(91 834)	9 485 119
Computer software, other	164 849 727	34 451 470	6 317 923	(30 028 592)	175 590 528
Servitudes	3 552 458	-	-	-	3 552 458
	168 402 185	**44 028 423**	**6 317 923**	**(30 120 426)**	**188 628 105**

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Work in Progress	Restatement	Amortisation	Total
Computer software, other	120 051 350	42 819 224	12 676 452	210 151	(10 907 450)	164 849 727
Servitudes	3 552 458	-	-	-	-	3 552 458
	123 603 808	**42 819 224**	**12 676 452**	**210 151**	**(10 907 450)**	**168 402 185**

Pledged as security

There are no Intangible assets pledged as security.

Notes to the Annual Financial Statements for the year ended 30 June 2022

9. Intangible assets (continued)

Intangible assets in the process of being constructed or developed

	2022	2021
Reconciliation of WIP		
Opening balance	28 530 266	52 132 826
Additions/Capitalisations	6 317 923	44 322 902
Prior year reclassification	-	(1 503 677)
Transferred to completed	(28 530 266)	(66 421 785)
	6 317 923	**28 530 266**

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

Notes to the Annual Financial Statements for the year ended 30 June 2022

Figures in Rand

10. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	524 313	-	524 313	524 313	-	524 313
Historical buildings	1 940 298	-	1 940 298	1 940 298	-	1 940 298
Total	**2 464 611**	**-**	**2 464 611**	**2 464 611**	**-**	**2 464 611**

Reconciliation of heritage assets 2022

	Opening balance	Total
Art Collections, antiquities and exhibits	524 313	524 313
Historical buildings	1 940 298	1 940 298
	2 464 611	**2 464 611**

Reconciliation of heritage assets 2021

	Opening balance	Total
Art Collections, antiquities and exhibits	524 313	524 313
Historical buildings	1 940 298	1 940 298
	2 464 611	**2 464 611**

Notes to the Annual Financial Statements for the year ended 30 June 2022

11. Other financial liabilities

	2022	2021
At amortised cost		
DBSA	244 495 619	268 308 111
Nedbank	20 005 551	41 521 002
Standard Bank	651 583 809	321 029 051
The municipality entered into a new loan agreement with Standard Bank for an amount of R464 000 000 in the 2020/2021 financial year. The term of the loan is 10 years at a variable interest rate of 7.81% per annum. As per the agreement, this will be drawn in 3 financial years. For the year ended 30 June 2022, R 374 000 000 was received.		
	916 084 979	**630 858 164**
Total other financial liabilities	**916 084 979**	**630 858 164**
Non-current liabilities		
At amortised cost	806 161 902	540 422 832
Current liabilities		
At amortised cost	109 923 077	90 435 332

12. Payables from exchange transactions

	2022	2021
Trade payables	237 429 547	228 988 367
Amounts received in advance	55 391 494	48 725 910
Retentions	44 315 528	36 010 275
Other payables	83 942 538	53 776 782
Accrued leave pay	21 437 898	22 612 761
Accrued VAT	50 676 450	50 816 489
Accruals	169 609 670	100 632 985
Housing Contracts	57 265 057	19 923 701
	720 068 182	**561 487 270**

13. Consumer deposits

	2022	2021
Electricity and Water	60 833 405	53 055 518
Other deposits	347 345	1 248 952
	61 180 750	**54 304 470**

Bank Guarantees in favour of the Municipality for consumer deposits amounts to R 57 697 610 (2022) and R 52 059 760 (2021)

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2022	2021
Unspent conditional grants and receipts		
Provincial Housing Grant	2 584 298	2 674 198
Provincial Local Government Grants	5 812 954	5 936 405
Provincial Libraries Grant	1 449 322	1 860 301
King Cetshwayo District Municipality	169 372	169 372
	10 015 946	**10 640 276**

14. Unspent conditional grants and receipts (continued)

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 23 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

15. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Total
Pro rata bonus	23 685 565	1 520 429	25 205 994

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Pro rata bonus	21 822 141	1 863 424	23 685 565

The bonus accrues on an annual basis based on their anniversary month. The provision is an estimate of the amount payable to staff for the following year on a pro-rata basis. The timing of the amount is uncertain with regards to payment of pro-rata bonus when staff members resign.

16. Employee benefit obligations

Defined benefit plan

Post-employment medical benefits

The Municipality operates on 5 accredited medical aid schemes, namely: Bonitas, Hosmed, Keyhealth, LA Health and Sawumed. Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, ARCH Actuarial Consulting, carried out a statutory valuation for the year ended 30 June 2022 with projected liabilities for the years ending 2023 and 2024. The present value of the obligation is R 200 215 000 (2021 - 277 589 000).

Long-service awards

The municipal employees are entitled to long service awards which can be en-cashed as per the bargaining council agreement. This benefit accrues to employees after 5 years of completed service. The independent valuers, ARCH Actuarial Consulting, carried out a statutory valuation for the year ended 30 June 2022 with projected liabilities for the years ending 2023 and 2024. The present value of the obligation is R 69 363 000 (2021 - 54 151 000).

Notes to the Annual Financial Statements for the year ended 30 June 2022

16. Employee benefit obligations (continued)

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

	2022	2021
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(331 740 000)	(287 985 000)
Current service cost	(15 735 000)	(13 208 000)
Interest cost	(35 581 000)	(35 257 000)
Past service cost	(18 772 000)	-
Actuarial (loss) / Gain	117 667 991	(7 948 093)
Benefits paid	14 582 009	12 658 093
	(269 578 000)	**(331 740 000)**
Non-current liabilities	(252 740 000)	(316 748 000)
Current liabilities	(16 838 000)	(14 992 000)
	(269 578 000)	**(331 740 000)**

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

	2022	2021
Opening balance	331 740 000	287 985 000
Net amount recognised in the statement of financial performance	(62 162 000)	43 755 000
	269 578 000	**331 740 000**

Net amount recognised in the statement of financial performance

	2022	2021
Current service cost	15 735 000	13 208 000
Past service cost	18 772 000	-
Interest cost	35 581 000	35 257 000
Actuarial (gains) losses	(117 667 991)	7 948 093
Benefits paid	(14 582 009)	(12 658 093)
	(62 162 000)	**43 755 000**

Notes to the Annual Financial Statements for the year ended 30 June 2022

16. Employee benefit obligations (continued)

Key assumptions used

Post-employment medical benefits

Medical Aid Inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the yield curve based medical aid contribution inflation for each relevant time period.

Average Retirement Age

The average retirement age for all active employees was assumed to be 60 years.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rate

Mortality before retirement has been based on the SA 85-90 mortality tables.

Sensitivity Analysis

In order to illustrate the sensitivity of our results to changes in certain key variables, we have calculated the liabilities using the following assumptions:
- 20% increase/decrease in the assumed level of mortality;
- 1% increase/decrease in the Medical Aid inflation.

Spouses and dependants

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependant children.

Long Service Awards

Normal Salary Inflation Rate

The salaries used in the valuation include an assumed increase on 01 July 2022

Average Retirement Age

The average retirement age for all active employees was assumed to be 62 years.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Sensitivity Analysis

In order to illustrate the sensitivity of our results to changes in certain key variables, we have calculated the liabilities using the following assumptions:
- 20% increase/decrease in the assumed level of withdrawal rates;
- 1% increase/decrease in the Normal Salary cost inflation.

Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021

16. Employee benefit obligations (continued)

Mortality Rate

Mortality before retirement has been based on the SA 85-90 mortality tables.

	2022	2021
Discount rates used	11,82 %	10,52 %
Average retirement age	62,00 %	60,00 %
Medical cost trend rates	8,44 %	6,94 %

The basis used on discount rate is the nominal and zero curves as at 30 June 2022 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period.

Defined Contribution Plan

The Municipality's employees are members of one of the three National Joint Municipal Pension Fund i.e. (Superannuation, Provident and Retirement). The valuator carries out a statutory valuation once after three years and an interim valuation on an annual basis.

The following valuations have been carried out:

Superannuation fund - interim on annual basis

Provident fund - Interim on annual basis

Retirement fund - interim on annual basis

Superannuation

An Interim valuation of the fund was carried out for the period ending 31 March 2021.

For services to 31 March 2021	**Pensioners**	**Members**	**Total**
Assets	6 609 549 000	7 368 515 000	13 978 064 000
Liabilities	(5 492 723 000)	(6 356 065 000)	(11 848 788 000)
	1 116 826 000	**1 012 450 000**	**2 129 276 000**

For services to 31 March 2020	**Pensioners**	**Members**	**Total**
Assets	4 829 396 000	5 439 100 000	10 268 496 000
Liabilities	(5 119 149 000)	(6 064 004 000)	(11 183 153 000)
	(289 753 000)	**(624 904 000)**	**(914 657 000)**

Pensioners: Funding level -117.5%

Members: Funding level - 100.1%

Investment reserve	31 March 2021
Contribution reserve	80 018 000

Investment reserves	**31 March 2020**
Contribution reserves	**49 559 000**

Conclusion

1.The valuation reveals that the Fund is 100.1% funded on the "best estimate" funding basis as at the valuation date and is also fully funded on the alternative bases as set out in PF Notice No. 2 of 2016.

Notes to the Annual Financial Statements for the year ended 30 June 2022

16. Employee benefit obligations (continued)

2. The Asset composition on the valuation date is appropriate to the nature of the liabilities and that the investment strategy of the fund is suitable for the fund.

3. The fund self-insures its risk benefits. The lump sum element of these benefits is relatively small, with the major element compromising of annuity payments. Given the recommended Risk Reserve, the fund's reinsurance are appropriate.

4. The fund is in a sound financial position as at the valuation date.

Defined Contribution Plan

Provident Fund

The salient features of the Statutory Actuarial Valuation Report on the fund as at 31 March 2021 and 31 March 2020 were that the net market value of the fund's assets were sufficient for to fully cover the members' share account and to provide total reserves of R 491 033 000 at 31 March 2021.

Due to the smoothing mechanism, a portion of the investment return to 31 March 2021 has been applied to fund the interim bonus for April 2021. The value of the liabilities therefore includes all the interim bonuses to 30 April 2021.

Conclusion

1. The valuation reveals that the fund is 100.6% funded as at the valuation date

2. The contribution rate allocated towards risk benefits and expenses in the year following the valuation date is expected to be sufficient to cover the cost of these benefits and expenses.

3. The Actuary is satisfied that the asset composition on the valuation date is appropriate to the nature of the liabilities and that the investment strategy of the fund is suitable for the fund.

4. The fund self-insures its death benefits and disability benefits. The Actuary is satisfied that, given the recommended Risk and Expense Reserve Account, the arrangement is appropriate for the fund.

5. The Actuary is of the view that the fund is in a sound position as at the valuation date.

Notes to the Annual Financial Statements for the year ended 30 June 2022

2022 2021

16. Employee benefit obligations (continued)

Retirement Fund

The Actuarial value of total assets of the fund AS AT 31 March 2021 was for pensioners R2 927 679 (2020 - R 2 177 808 000) and for members R1 879 253 (2020 - R 1365 144 000)

Made up as follows:

For services to 31 March 2021

For pensioners - funding level 124.5 (2020: funding level 96.2%)
For members - funding level 101.0% (2020: funding level 84.7%).

The fund did not hold an Investment Reserve.

The previous statutory valuation as at 31 March 2018 showed a deficit in the fund. The employers and members are paying a surcharge of 35% pensionable salaries (for all active members at 31 December 2002), which was expected to fund the deficit over an eight year period to 31 July 2020.

Even though a surcharge was paid during the valuation period, the funding level has not increased by as much as it was expected. This is primarily as a result of high salary increases over the valuation period and a strengthening of the valuation basis.

Conclusion

1.The valuation reveals that the Fund is 101.0% funded on the “best estimate” Funding basis as at the valuation date and is also fully funded on the alternative bases as set out in PF Notice No. 2 of 2016.

2. The Actuary is satisfied that the asset composition on the valuation date is appropriate to the nature of the liabilities and that the investment strategy of the fund is suitable for the fund.

3. The fund self-insurers its risk benefits.

4. The Actuary is of the view the Fund is in a sound financial position as at the valuation date.

17. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2022

	Capital replacement reserve	Accumulated surplus	Insurance reserve	Housing development fund	Total
Opening balance	573 371 263	5 445 980 547	5 000 000	3 265 173	6 027 616 983
Transfer to capital replacement reserve	(269 626 739)	269 626 739	-	-	-
Surplus for the year	-	240 864 657	-	-	240 864 657
	303 744 524	**5 956 471 943**	**5 000 000**	**3 265 173**	**6 268 481 640**

Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021

17. Accumulated surplus (continued)

Ring-fenced internal funds and reserves within accumulated surplus - 2021

	Capital replacement reserve	Accumulated surplus	Insurance reserve	Housing development fund	Total
Opening balance	456 015 576	5 432 795 159	5 000 000	3 061 960	5 896 872 695
Transfer to capital replacement reserve	117 355 687	(117 355 687)	-	-	-
Surplus for the year	-	130 744 284	-	-	130 744 284
Transfer to Housing	-	(203 213)	-	203 213	-
	573 371 263	**5 445 980 543**	**5 000 000**	**3 265 173**	**6 027 616 979**

18. Service charges

	2022	2021
Sale of electricity	1 562 940 002	1 497 648 309
Sale of water	556 459 020	497 447 002
Sewerage and sanitation charges	108 153 359	104 010 023
Refuse removal	102 919 734	101 598 921
Surcharge on water	-	800 000
	2 330 472 115	**2 201 504 255**

An amount of (2022: R 13 067 260.71) (2021: R 12 804 371.19) received in respect of prepaid electricity sales has been deferred and transferred to amounts received in advance.

19. Construction Contracts

	2022	2021
Revenue	78 306 911	103 916 524
Expenditure - Included under Contracted Services	(78 306 911)	(103 916 524)
	-	**-**

The construction contracts relates to the agreements entered into between the Municipality and the KwaZulu-Natal Department of Housing in respect of housing projects where the Municipality is a project developer in this arrangement. This arrangement is accounted for in line with the accounting policy for Construction Contract - Housing Projects.

The constuction contracts expenses consists of mainly of contracted services wherein the Municipality procures the services of building constractors and other consultants in the construction of the houses on its behalf.

The construction contracts revenue is recognised on a stage of completion based on the costs incurred. There are no contracts accounted for as work in progress given that costs are expensed when incurred.

The amounts received in advance for work to be done is recognised as a liablitiy and disclosed on Note 12: Payables from exchange transactions.

20. Debt impairment

	2022	2021
Contributions to debt impairment provision	(136 019 044)	37 409 834

Notes to the Annual Financial Statements for the year ended 30 June 2022

21. Operational Revenue

	2022	2021
Building Plans	638 115	854 226
Extension Fees	880 456	1 838 910
Forfeited Deposits	8 038 195	4 989 560
Skills Levy Fees	-	1 010 781
Insurance claims refund	1 270 153	1 514 335
Sundries	9 244 974	9 281 743
Advertisement	2 540 876	2 790 241
Discount Received	715 570	507 090
Meter Replacement	28 368	43 816
Inventory gain	-	2 447
Legal fees recovered	1 768 651	799 498
	25 125 358	**23 632 647**

22. Investment revenue

Interest revenue

	2022	2021
Bank	34 734 726	32 646 390

23. Property rates

Rates received

	2022	2021
Residential	213 743 932	282 131 737
Commercial	162 205 467	166 038 591
State	19 705 928	40 603 581
Municipal	35 562 570	59 486 640
Small holdings and farms	258 956	264 663
Industrial	146 619 431	139 743 799
Mining	813 195	773 439
Public service Infrastructure	20 858 023	102 127
Less: Income forgone	(32 323 958)	(137 971 890)
	567 443 544	551 172 687
Property rates - penalties imposed	3 159 159	4 021 969
	570 602 703	**555 194 656**

Valuations

	2022	2021
Residential	22 085 286 000	22 224 583 000
Commercial	8 134 285 000	8 301 387 000
State	4 411 553 000	3 798 724 000
Vacant Land	3 001 073 000	2 731 653 000
Public benefit organisations	11 612 000	115 071 000
Agriculture	1 121 213 000	1 064 080 000
Industrial	6 851 609 000	6 834 828 000
Mining	36 142 000	36 142 000
Public service infrastructure	85 337 000	94 785 000
Multiple use	386 719 000	-
	46 124 829 000	**45 201 253 000**

Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021

23. Property rates (continued)

The first valuation in terms of the Property Rates Act No.6 of 2004 came into effect on 01 July 2008. Valuations were performed on land and buildings together. Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2020. One supplementary valuation roll and objection roll in terms of the new Act were processed during the financial year. The following rate randage and ratio to residential tariff were applied:

	Rates Randage	**Ratio to Residential Tariff**
Residential	0,0098	1:1
Business/Commercial	0,0206	1:2,10
Industrial	0,0215	1:2,20
Agricultural	0,0024	1:0,25
Public Service Purposes (State owned)	0,0108	1,1.10
Public Services Infrastructure - Private	0,0024	1:0,25
PBO's	0,0024	1:0,25
Mining	0,0225	1:2,30
Vacant Land	0,0206	1:2,10

Subject to the provisions contained in the Rates Policy and upon application the following rebates were applied-

Agricultural Properties - 5%

Non-profit Organisations - 20%

Pensioners - R250 000 Valuation Reduction on primary developed property

In addition to the statutory R15 000 reduction in the valuation on residential properties, a further reduction of R145 000 of the valuation on all developed residential properties with value > R 480 000 was made

Rates are levied on a monthly basis but upon request can be levied annually. The final date for payment of rates that are levied on an annual basis is 30 September of each year, and 30 June for monthly ratepayers. Interest of prime plus 1% is levied on outstanding rates.

24. Government grants & subsidies

	2022	2021
Operating grants		
Equitable share	416 124 000	462 487 000
Finance Management Grant	2 450 000	2 600 000
Expanded Public Works Integrated Grant	3 417 000	4 278 000
Energy Efficiency and demand side management grant	94 342	-
Provincial Housing Grant	1 923 778	2 670 719
Provincial Libraries Grant	11 786 046	11 082 209
Provincial local government grant	506 703	800 000
Integrated Urban Development Grant	604 190	7 208 490
	436 906 059	**491 126 418**
Capital grants		
Integrated Urban Development Grant	130 145 810	152 754 510
Energy Efficiency and demand side management grant	3 905 658	4 500 000
Water Service Infrastructure Grant	40 000 000	25 000 000
Provincial Local Government Grant	7 237 081	5 962 055
Provincial Libraries/Museums Grant	1 905 733	-
	183 194 282	**188 216 565**
	620 100 341	**679 342 983**

Notes to the Annual Financial Statements for the year ended 30 June 2022

24. Government grants & subsidies (continued)

Equitable Share

	2022	2021
Equitable Share		
Current-year receipts	416 124 000	462 487 000
Conditions met - transferred to revenue	(416 124 000)	(462 487 000)
	-	-

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

Water services infrastructure grant

	2022	2021
Current-year receipts	40 000 000	25 000 000
Conditions met - transferred to revenue	(40 000 000)	(25 000 000)
	-	-

National Conditional Grants are allocated in terms of the Division of Revenue Act. The purpose of this grant is to facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services expecially in rural municipalities; provide basic and intermittent water and sanitation supply that ensures provision of services to identified and prioritised communities; support municipalities in implementing water conservation and water demand management projects; support drought relief projects in affected municipalities.

Provincial Housing Grant

	2022	2021
Balance unspent at beginning of year	2 674 198	2 925 059
Current-year receipts	1 764 445	2 333 717
Conditions met - transferred to revenue	(1 923 778)	(2 670 719)
Interest Received	69 433	86 141
Conditions still to be met - remain liabilities (see note 14)	**2 584 298**	**2 674 198**

Provincial Housing grants were allocated to assist in the refurbishment of various hostels. The grants are spent in accordance with a business plan approved by the Provincial Government. Funds were provided for the housing operating account. Funds were also provided for the Municipality to implement the Enhanced Extended Discount Benefit Scheme. No funds were withheld.

Financial management grant

	2022	2021
Current-year receipts	2 450 000	2 600 000
Conditions met - transferred to revenue	(2 450 000)	(2 600 000)
	-	-

National Conditional Grants are allocated in terms of the Division of Revenue Act. The Financial Management Grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA). No funds have been withheld.

Notes to the Annual Financial Statements for the year ended 30 June 2022

24. Government grants & subsidies (continued)

Provincial Local Government Grant

	2022	2021
Balance unspent at beginning of year	5 936 405	11 898 460
Current-year receipts	7 620 333	800 000
Conditions met - transferred to revenue	(7 743 784)	(6 762 055)
Conditions still to be met - remain liabilities (see note 14)	**5 812 954**	**5 936 405**

Provincial Local Government grants are used to implement administrative and financial framework and to provide a municipal infrastructure framework. The grants are spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

Provincial Libraries/Museums

	2022	2021
Balance unspent at beginning of year	1 860 301	1 351 510
Current-year receipts	13 280 800	11 591 000
Conditions met - transferred to revenue	(13 691 779)	(11 082 209)
Conditions still to be met - remain liabilities (see note 14)	**1 449 322**	**1 860 301**

Funding were received for the installation of computer hardware and software for public internet access, the cost of the internet connectivity, furniture to house these computers and salaries for the employment of "cyber-cadets". The subsidies are spent in accordance with a business plan approved by the Provincial Government. A subsidy was also received for the operations of the museums. Certain assets were also donated for the libraries. Funding received as a contribution towards the new Mpembeni Modular Library. No funds have been withheld.

Expanded Public Works Integrated grant

	2022	2021
Current-year receipts	3 417 000	4 278 000
Conditions met - transferred to revenue	(3 417 000)	(4 278 000)
	-	-

National Conditional Grants are allocated in terms of the Division of Revenue Act. The grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in compliance with EPWP Guidelines. No funds have been withheld.

Energy Efficiency and Demand Side Management grant

	2022	2021
Current-year receipts	4 000 000	4 500 000
Conditions met - transferred to revenue	(4 000 000)	(4 500 000)
	-	-

National Conditional Grants are allocated in terms of the Division of Revenue Act. The purpose of the grant is to provide subsidies to municipalities to implement energy efficiency and demand side management (EEDSM) initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

King Cetshwayo District Municipality

	2022	2021
Balance unspent at beginning of year	169 372	169 372

Conditions still to be met - remain liabilities (see note 14).

King Cetshwayo allocated funds for the beach protection project at Alkandstrand beach Richards Bay.

Notes to the Annual Financial Statements for the year ended 30 June 2022

24. Government grants & subsidies (continued)

Integrated Urban Development Grant (IUDG)

	2022	2021
Balance unspent at beginning of year	-	7 000 000
Current-year receipts	130 750 000	159 963 000
Conditions met - transferred to revenue	(130 750 000)	(159 963 000)
Grant Withheld	-	(7 000 000)
	-	**-**

National Conditional Grant are allocated in terms of the Division of Revenue Act. The purpose of the grant is to provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for public investment in economic infrastructure; to ensure that public investments are spatially aligned and to promote the sound management of the assets delivered. No funds have been withheld for the 2022 Financial year.

25. Public contributions and donations

	2022	2021
Other public contributions and donations	163 465	357 987

Public contributions and donations was received from various organisations for skills development.

26. Fines, Penalties and Forfeits

	2022	2021
Law Enforcement Fines	20 726 388	64 872 975
Overdue Books Fines	3 380	3 195
	20 729 768	**64 876 170**

Notes to the Annual Financial Statements for the year ended 30 June 2022

27. Employee related costs

	2022	2021
Basic	564 851 727	519 607 657
Bonus	46 366 042	44 045 555
Medical aid - company contributions	46 777 759	45 234 985
UIF	4 474 895	3 837 724
Leave pay provision charge	23 444 112	31 402 896
Other short term costs	26 300 927	24 327 136
Defined contribution plans	7 790 009	7 292 093
Travel, motor car, accommodation, subsistence and other allowances	56 736 349	52 895 885
Overtime payments	79 418 377	69 013 626
Long-service awards	379 842	638 706
Housing benefits and allowances	3 987 287	4 046 141
Cell phone allowance	6 439 071	6 077 076
Pension and Group life	109 822 011	104 345 367
Post-Employment obligation - Medical aid subsidy	32 661 991	31 583 907
Post-Employment Obligation - Long service leave	22 844 000	4 223 000
	1 032 294 399	**948 571 754**

2022 : Remuneration to senior managers & managers	Municipal Manager	Chief Operating Officer	DMM: Infrastructure & Technical Service	DMM:Electricity and Energy Services
Annual Remuneration	2 113 865	1 231 070	471 066	1 273 707
Annual Bonus	192 767	102 589	-	106 142
Performance Bonus	-	89 947	-	-
Contribution to UIF, Medical & Pension Fund	413 878	278 675	36 182	349 488
Travel Allowance	260 581	229 759	105 160	112 756
	2 981 091	**1 932 040**	**612 408**	**1 842 093**

2021 : Remuneration to senior managers & managers	Municipal Manager	Chief Operating Officer	DMM: Infrastructure & Technical Service	DMM:Electricity and Energy Services
Annual Remuneration	952 211	963 685	900 543	1 273 707
Annual Bonus	-	-	136 976	106 142
Contribution to UIF, Medical & Pension Fund	187 365	385 859	405 409	355 949
Travel Allowance	165 084	115 637	185 336	104 879
	1 304 660	**1 465 181**	**1 628 264**	**1 840 677**

2022 : Remuneration to senior managers & managers	DMM: City Development	DMM: Community Services	DMM: Financial Services (CFO)	DMM: Corporate Services	Head: Engineering Services
Annual Remuneration	1 430 400	1 380 688	1 471 697	1 539 333	-
Annual Bonus	119 200	115 057	122 641	-	-
Performance Bonus	-	-	89 947	-	-
Contribution to UIF, Medical & Pension Fund	140 051	99 291	43 154	64 023	-
Travel Allowance	152 442	247 056	204 600	238 736	-
	1 842 093	**1 842 092**	**1 932 039**	**1 842 092**	**-**

Notes to the Annual Financial Statements for the year ended 30 June 2022

2022 2021

27. Employee related costs (continued)

2021 : Remuneration to senior managers & managers	DMM: City Development	DMM: Community Services	DMM: Financial Services (CFO)	DMM: Corporate Services	Head: Engineering Services
Annual Remuneration	1 430 400	1 380 688	1 471 697	956 802	823 963
Annual Bonus	119 200	115 057	122 641	-	68 664
Travel Allowance	154 419	260 534	204 600	136 829	331 790
Contribution to UIF, Medical & Pension Fund	136 659	84 398	41 738	40 395	278 033
Housing Subsidy	-	-	-	-	8 681
	1 840 678	**1 840 677**	**1 840 676**	**1 134 026**	**1 511 131**

2022 : Remuneration to senior managers & managers	Head: Financial Service Exp	Head: Financial Service Revenue	Head: Transport Roads	Head: Water and Sanitation	Head: Management services
Annual Remuneration	852 802	53 417	595 293	852 802	852 802
Annual Bonus	71 067	-	-	71 067	71 067
Housing Subsidy	11 574	-	-	-	11 574
Travel Allowance	347 184	53 417	241 865	347 184	314 901
Contribution to UIF, Medical & Pension Fund	294 286	-	152 694	268 911	347 184
	1 576 913	**106 834**	**989 852**	**1 539 964**	**1 597 528**

2021 : Remuneration to senior managers & managers	Head: Financial Service Exp	Head: Financial Service Revenue	Head: Transport Roads	Head: Water and Sanitation	Head: Management services
Annual Remuneration	823 963	271 611	1 100 976	823 963	823 963
Annual Bonus	68 664	73 931	-	68 664	68 664
Housing Subsidy	11 574	-	-	-	-
Travel Allowance	331 790	101 959	341 642	331 790	331 802
Contribution to UIF, Medical & Pension Fund	281 470	62 803	522 857	259 118	268 857
	1 517 461	**510 304**	**1 965 475**	**1 483 535**	**1 493 286**

Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021

27. Employee related costs (continued)

2022 : Remuneration to senior managers & managers	Head: Economic Development	Head: Electrical Services	Head: Health & Public Safety	Head: Corporate Services	Head: SCM
Annual Remuneration	852 802	-	852 802	852 802	852 802
Annual Bonus	71 067	-	71 067	71 067	71 067
Housing Subsidy	-	-	11 574	-	11 574
Travel Allowance	347 184	-	347 184	347 184	347 184
Contribution to UIF, Medical & Pension Fund	321 553	-	150 139	279 605	402 615
	1 592 606	**-**	**1 432 766**	**1 550 658**	**1 685 242**

2021 : Remuneration to senior managers & managers	Head: Economic Development	Head: Electrical Services	Head: Health & Public Safety	Head: Corporate Services	Head: SCM
Annual Remuneration	823 963	33 367	823 963	823 963	823 963
Annual Bonus	68 664	-	68 664	68 664	68 664
Housing Subsidy	-	-	11 574	-	11 574
Travel Allowance	331 790	13 504	331 790	331 790	331 790
Contribution to UIF, Medical & Pension Fund	278 033	788	253 041	261 351	317 938
	1 502 450	**47 659**	**1 489 032**	**1 485 768**	**1 553 929**

28. Remuneration of councillors

	2022	2021
Mayor	1 058 113	1 091 397
Deputy Mayor	839 960	881 997
Executive Committee Members	5 345 382	6 637 176
Speaker	848 310	881 997
Councillors	21 068 686	20 074 917
Chief Whip	736 081	829 647
Section 79 committee chairperson	631 733	806 614
	30 528 265	**31 203 745**

In-kind benefits

The Mayor, Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor, Speaker, the Deputy Mayor and Chief Whip each have the use of separate Council owned vehicles for official duties.

Included in the Remuneration of councillors is an amount of R 574 459.85 which relates to the backpay due to councillors for 2021/2022. This was only processed in Payroll in July 2022.

29. Inventory Consumed

	2022	2021
Inventory Consumed	502 191 459	456 235 447

Inventory Consumed	2022	2021
Consumables	1 471 923	1 076 585
Finished Goods	491 516	1 061 433
Materials and Supplies	97 267 316	96 931 077
Water Inventory	402 960 704	357 166 352
	502 191 459	**456 235 447**

Notes to the Annual Financial Statements for the year ended 30 June 2022

30. Depreciation and amortisation

	2022	2021
Property, plant and equipment	300 056 215	335 027 582
Investment property	495 390	523 789
Intangible assets	30 120 425	10 907 451
	330 672 030	**346 458 822**

31. Finance costs

	2022	2021
Other financial liabilities	57 199 837	59 021 447

32. Bad debt written off

	2022	2021
Electricity	382 806	1 788 113
Fines	67 108 585	108 991 250
Sewerage	2 119 064	2 353 738
Rates	3 031 276	7 115 217
Refuse	1 572 892	1 786 870
Water	45 677 416	43 136 971
	119 892 039	**165 172 159**

33. Bulk purchases

	2022	2021
Electricity	1 151 971 461	1 072 631 235

Electricity losses

	2022	2021
Units purchased (KW)	957 059 422	1 067 811 721
Units sold (KW)	(870 334 964)	(999 469 925)
Total loss	**86 724 458**	**68 341 796**
Electricity losses (KW)	86 724 458	68 341 796
Unit cost / KW	1,20	1,00
Loss in Rand Value	**104 069 349**	**68 341 796**
Percentage Loss	9 %	6 %

Electricity losses are attributable to the following reasons:

Non-Technical reasons: Theft and error in metering.

Technical reasons: Electricity resistivity in the network. Ageing of network without sufficient replacement, refurbishment and maintenance. Incorrect meter calibration and monitoring.

Notes to the Annual Financial Statements for the year ended 30 June 2022

33. Bulk purchases (continued)

Water losses

	2022	2021
Apparent losses: Unauthorised consumption	12 719 376	13 808 798
Apparent losses: Customer meter inaccuracies	23 400 328	25 049 949
Real losses: Leakage on transmission and distribution mains	140 571 149	150 429 533
Real losses: Leakage and overflows at storage tanks/ reservoirs	10 400 146	11 137 755
Real losses: Leakage on service connections up to the point of customer meter	59 913 161	64 088 651
Real losses: During repairs and maintenance	13 000 182	13 922 193
Total losses (Rand value)	**260 004 342**	**278 436 879**

	2022	2021
Units purchased (KL)	51 579 137	50 209 100
Units sold (KL)	(32 218 463)	(29 452 918)
Total loss (units)	**19 360 674**	**20 756 182**

	2022	2021
Percentage Loss	38 %	45 %

In accordance with the Water Inventory Balance model Water Losses are attributed to two primary categories of Apparent Losses and Real Losses. Apparent Losses are further broken down into two subcategories - Unauthorized Consumption (Theft, illegal connections) and Meter Inaccuracies. Real Losses are the losses that occur in the inefficiencies of the water transmission and distribution and storage systems

34. Contracted services

	2022	2021
Outsourced Services		
Other Contractors	28 215 140	26 402 726
Project Management	89 170 155	38 416 901
Internal Audit	7 602 319	7 594 517
Legal Services	3 840 649	5 678 455
Credit Control Services	4 801 006	-
Cleaning Services	7 861 574	6 364 921
Meter Management	8 590 702	8 414 614
Security Services	74 554 734	53 313 030
Sewerage Services	20 534 634	18 661 173
Social Housing Contractors	78 306 911	103 916 524
Maintenance Contractors	130 504 298	85 029 988
	453 982 122	**353 792 849**

35. Transfer and subsidies

	2022	2021
Subsidies		
Subsidies Paid	9 278 714	9 787 224

Notes to the Annual Financial Statements for the year ended 30 June 2022

35. Transfer and subsidies (continued)

Details of Grants and Subsidies paid

	2022	2021
SPCA	405 043	450 000
Bursaries Employees Children	438 559	405 647
Spring Tour Music Festival	-	500 000
Sundries	-	18 580
Funeral Councillors - In Kind	95 500	-
Funeral Councillors	127 562	-
Community Mayor Outreach	-	65 000
University Registrations	216 000	180 000
Disaster Management Awareness Campaigns and Relief Assistance	515 176	124 335
Diwali Festival	-	80 000
Mthiya (Pty) Ltd Holdings Boxing Tournament	300 000	-
Human Rights Day and Freedom Day	106 302	-
Richards Bay Football Club	3 000 000	3 000 000
Mandela Day Celebrations	100 000	-
Christmas Party for Senior Citizens	522 800	410 203
Christmas Party for Children	-	16 407
uMhlathuze Beauty Pageant 2022	36 000	-
Chieta Funding Grant in aid	163 465	-
Sandile Gumede Annual Youth Football Tournament	-	250 000
Soul and Jazz Experience	2 625 000	2 622 500
Madiba Jive Music Festival	250 000	250 000
Federations - Netball	18 000	-
uMhlathuze Community Tourism Association	300 000	289 500
Funeral - Late Cllr Zuma	-	99 598
Funeral - Late Cllr Mpungose	-	86 261
Funeral - Late Cllr Ncanana	-	79 046
Mjwara Family House - Build	-	600 000
Funeral for Mr Mhlongo (Fire Department)	-	71 650
Luh and Jay Pty Ltd	-	100 000
Imizwa-Vertebra Production Studio	-	88 496
Youth Manager - Strategic Partnership	59 307	-
	9 278 714	**9 787 223**

Notes to the Annual Financial Statements for the year ended 30 June 2022

36. Operating expenses

	2022	2021
Advertising	2 687 727	4 042 366
Auditors remuneration	5 655 478	5 007 990
Bank charges	8 978 091	8 488 395
Cleaning	6 640	3 380
Commission paid	7 362 904	7 147 803
Entertainment	160 704	44 973
Fines and penalties	16 164	379 430
Insurance	13 517 738	15 348 624
Community development and training	5 390 715	6 180 000
Conferences and seminars	364 601	284 717
Employee awards	117 928	27 905
Levies	8 169 107	6 398 882
Motor vehicle expenses	1 313 645	3 086 309
Packaging	302 325	209 761
Fuel and oil	44 689 109	29 743 691
Postage and courier	2 388 521	2 589 332
Printing and stationery	182 998	228 335
Workmen's Compensation Fund	5 323 708	4 261 948
Software expenses	30 865 227	18 801 507
Subscriptions and membership fees	10 686 781	10 119 822
Telephone and fax	9 526 223	7 027 972
Refuse site fees	13 332 664	12 225 623
Sewerage and waste disposal	21 519 974	5 805 865
Uniforms	5 435 559	6 166 661
Bursaries	468 102	481 885
Electricity consumption - Indigent support	1 445 286	1 502 417
Licences	3 853 758	4 397 547
Other materials	-	198 332
Travel and Subsistence	2 071 984	1 542 404
Rental of property, plant and equipment	49 140 526	28 945 616
Signage	736 877	336 311
Water levies	25 202 153	32 029 468
Inventory Loss	1 498 313	541 701
Water losses	260 004 342	278 443 879
	542 415 872	**502 040 851**

37. Auditors' remuneration - fees

	2022	2021
Fees	5 655 478	5 007 990

38. Operating lease

The municipality as a lessee.

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

	2022	2021
IT Equipment		
Within one year	3 438 255	3 438 255
In the second to the fifth year inclusice	2 314 069	3 350 048
	5 752 324	**6 788 303**

Operating lease payment represents rental of printers and the telephone system.

Notes to the Annual Financial Statements for the year ended 30 June 2022

39. Cash generated from operations

	2022	2021
Surplus	240 864 657	130 744 282
Adjustments for:		
Depreciation and amortisation	330 672 030	346 458 822
Loss on sale of assets and liabilities	23 289 489	90 680 918
Impairment deficit	1 548 304	1 214 030
Debt impairment	(136 019 044)	37 409 834
Bad debts written off	119 892 039	165 172 160
Non-cash item - employee benefit obligations	(62 162 000)	43 755 000
Movements in provisions	1 520 429	1 863 424
Other non-cash items - inventory gain	(527 840 130)	(517 060 858)
Water losses	260 004 342	278 443 879
Inventory loss	1 498 313	(2 447)
Changes in working capital:		
Inventories	119 956 885	118 487 528
Receivables from exchange transactions	(250 453 801)	(165 858 863)
Statutory receivables	(29 535 769)	(89 988 906)
Other Receivables	1 055 322	(2 190 298)
Payables from exchange transactions	159 891 510	107 629 386
VAT	(7 935 896)	30 087 193
Unspent conditional grants and receipts	(624 330)	(12 704 125)
Consumer deposits	6 876 280	(7 523 446)
	252 498 630	**556 617 513**

40. Commitments

Authorised capital expenditure

	2022	2021
Already contracted for but not provided for		
• Property, plant and equipment	718 656 868	380 205 647
Total capital commitments		
Approved and already contracted for	718 656 868	380 205 647

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

Notes to the Annual Financial Statements for the year ended 30 June 2022

2022 2021

41. Contingencies

Panda Petroleums: Tender 8/2/1/983 was awarded to Panda Petroleums CC. There is a term letter that was addressed to the lessee on 30 June 2017 advising them of the various breaches committed in terms of the agreement and urged him to remedy the breaches within a specific time frame, which was not adhered to. A termination letter was subsequently sent to Panda. The meeting held between that was held between the two parties was unable to bring forth a consensus and therefore the matter was taken to court. The potential financial effect is not yet known. The fees incurred by council to date are R180 559.

Comozar (PTY) LTD: An urgent Notice of Motion was served to council by **Comozar**, interdicting council from awarding Tender8/2/1/UMH619-19/20: Long term lease and development of council property portion 156 of rem 533 harbour. The potential financial effect is not yet known. The fees incurred by council to date are R 342 277.

Council was served with an urgent Notice of Motion by the **African National Congress** on 12 January 2022. Interdict against the inauguration of Council on 23 November 2021. The potential financial effect is not yet known. The fees incurred by council to date are R 388 692.

River Rock Investments made an application to the high court for an order declaring that the Lease that they had with Council was still valid. The matter was dismissed by the Pietermaritzburg High Court with costs. Council is in the process of finalising the lease agreement. The potential financial effect is not yet known. The fees incurred by Council are R 1 361 903.

Contingent assets

In the process of seeking to procure the services, Kulu Civils invoked the provisions of Section 32 of the SCM policy. The intention to award was therefore cancelled. The matter was taken to court and judgement in favour of council was handed down however Kulu Civils filed an application for Leave to Appeal. This matter is ongoing. The potential financial effect is not yet known. Fees incurred by council to date are R 400 149.

Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021

42. Related parties

Key management information

Remuneration of management

Executive committee members

2022

Name	Basic salary	Cellphone/Data	Travel Allowance	Medical aid	Pension	Total
Mhlongo MG - Mayor	284 550	13 600	-	32 236	42 683	373 069
Donda NG - Mayor	58 551	700	-	-	-	59 251
Ngwezi X - Mayor	484 667	22 813	-	41 700	76 614	625 794
Sibiya KD - Deputy Mayor	173 483	13 600	71 894	16 176	26 022	301 175
Ngubane NN	449 423	23 720	-	-	65 642	538 785
Mkhize G - Speaker	231 283	13 600	-	22 856	33 436	301 175
Gumede TS	436 310	24 707	4 793	18 035	63 290	547 135
Lourens M - Chief Whip	235 460	13 600	-	-	34 141	283 201
Donda NG - Chief Whip	388 093	22 571	-	-	42 216	452 880
Botha CM - Executive Committee	375 826	38 307	162 909	56 636	54 326	688 004
Mthembu BC - Executive Committee	352 685	35 865	152 250	61 816	50 760	653 376
Zikhali RM - Executive Committee	367 097	35 865	154 172	41 556	54 684	653 374
Mkhize ZH- Executive Committee	298 588	24 707	-	36 074	41 286	400 655
Grobelaar Z- Executive Committee	329 957	24 707	-	-	45 992	400 656
Zulu SH- Executive Committee	329 957	24 707	-	-	45 992	400 656
Mhlongo MG- Executive Committee	258 334	22 265	-	50 040	35 689	366 328
Sibiya KD- Executive Committee	206 329	22 265	84 849	25 380	27 505	366 328
Gumede TS- Executive Committee	167 128	13 600	67 400	10 004	25 069	283 201
Mthethwa KN- Executive Committee	162 272	13 600	67 400	16 472	23 457	283 201
Ndimande DJ- Executive Committee	155 534	13 600	67 400	24 220	22 447	283 201
Phahla TM- Executive Committee	155 534	13 600	67 400	24 220	22 447	283 201
Sookroo M- Executive Committee	149 760	13 600	67 400	30 860	21 581	283 201
	6 050 821	**445 599**	**967 867**	**508 281**	**855 279**	**8 827 847**

2021

Name	Basic salary	Cellphone/Data	Travel Allowance	Medical aid	Pension	Total
Mhlongo MG - Mayor	828 144	44 400	-	94 632	124 222	1 091 398
Sibiya KD - Deputy Mayor	504 875	44 400	209 399	47 592	75 731	881 997
Mkhize G - Speaker	670 145	44 400	-	66 930	100 522	881 997
Lourens M - Chief Whip	682 823	44 400	-	-	102 424	829 647

Notes to the Annual Financial Statements for the year ended 30 June 2022

42. Related parties (continued)

Botha CM - Executive Committee	460 523	44 400	196 312	59 334	69 078	829 647
Gumede TS - Executive Committee	486 584	44 400	196 312	29 364	72 988	829 648
Mthembu BC - Executive Committee	450 292	44 400	196 312	71 100	67 544	829 648
Mthethwa KN - Executive Committee	470 071	44 400	196 312	48 354	70 511	829 648
Ndimande DJ - Executive Committee	450 292	44 400	196 312	71 100	67 544	829 648
Phahla TM - Executive Committee	450 292	44 400	196 312	71 100	67 544	829 648
Sookroo M - Executive Committee	434 264	44 400	196 312	89 532	65 140	829 648
Zikhali RM- Executive Committee	470 733	44 400	196 312	47 592	70 610	829 647
	6 359 038	**532 800**	**1 779 895**	**696 630**	**953 858**	**10 322 221**

Management class: Councillors

2022

Name	Basic salary	Cellphone/Data	Travel Allowance	Medical aid	Pension	Total
Executive committee members	6 050 821	445 599	967 867	508 281	855 279	8 827 847
Other Councillors	15 002 465	2 231 552	1 059 103	678 140	2 097 426	21 068 686
Section 79 Chairperson	373 944	35 865	148 967	20 920	52 036	631 732
	21 427 230	**2 713 016**	**2 175 937**	**1 207 341**	**3 004 741**	**30 528 265**

2021

Name	Basic salary	Cellphone/Data	Travel Allowance	Medical aid	Pension	Total
Executive committee members	6 359 038	532 800	1 779 895	696 630	953 858	10 322 221
Other Councillors	12 461 161	2 327 161	2 183 230	1 303 171	1 800 191	20 074 914
Section 79	443 576	44 400	190 554	61 544	66 536	806 610
	19 263 775	**2 904 361**	**4 153 679**	**2 061 345**	**2 820 585**	**31 203 745**

43. Change in estimate

Property, plant and equipment

The municipality in the current financial year changed the estimated useful lives of certain Property, Plant and Equipment that were reaching their initial estimated useful lives. The effect of this revision has reduced the depreciation charges for the current and future periods by R 23 416 892

Investment Property

The municipality in the current financial year changed the estimated useful lives of Invetment Property Assets that were reaching their initial estimated useful lives. The effect of this revision has reduced the depreciation charges for the current and future periods by R 30 128

44. Prior-year adjustments

The Municipality restated prior year receivables from exchange and non exchange transactions due to billing transactions that were adjusted in the prior year. During the year the municipality reviewed the useful lives of assets and there were assets that had been fully depreciated but still in use and prior depreciation had to be reversed and treated as prior period error. There were also assets that were derecognised that also affected the prior period. There was also a take on of Land which was previously not recognised in the Municipality's asset register for Investment Property.

Statement of financial position

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions	4	400 741 831	(41 124 427)	-	359 617 404
Statutory Receivables	3	70 014 755	(5 274 098)	-	64 740 657
Accumulated Surplus	17	6 053 117 392	(25 500 413)	-	6 027 616 979
Property, Plant and Equipment	8	5 977 892 377	8 920 503	(590 990)	5 986 221 888
Investment Property	7	86 757 024	11 767 458	590 990	99 115 472
Intangible Assets	9	168 192 035	210 151	-	168 402 185
		12 756 715 414	**(51 000 826)**	**-**	**12 705 714 585**

Statement of financial performance

2021

	Note	As previously reported	Re-classification	Restated
Debt Impairment	20	202 581 992	(165 172 159)	37 409 833
Inventory consumed	29	-	99 069 095	99 069 095
Operational Revenue	21	(23 090 947)	(541 701)	(23 632 648)
Transfers and subsidies	35	9 381 576	405 647	9 787 223
Operating Expenses	36	322 530 013	(98 933 041)	223 596 807
Bad debts	32	-	165 172 159	165 172 159
		511 402 634	**-**	**511 402 469**

Notes to the Annual Financial Statements for the year ended 30 June 2022

45. Risk management

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet it obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses.

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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
Borrowings	187 123 638	186 015 099	465 956 564	418 311 088
Trade and other payables	669 391 730	-	-	-
Consumer deposits	61 180 750	-	-	-

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	145 735 430	132 418 180	372 691 876	205 241 747
Trade and other payables	512 998 270	-	-	-
Consumer deposits	54 304 470	-	-	-

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:

Financial instrument	2022	2021
Investments	550 432 205	630 000 000
Cash and cash equivalents	134 331 558	190 690 308
Receivables from exchange transactions	674 178 423	359 617 404
Other receivables	24 091 086	25 146 408

Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021

45. Risk management (continued)

Market risk

Interest rate risk

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

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

46. Events after the reporting date

There were no events that took place after the reporting date.

47. Irregular expenditure

	2022	2021
Opening balance as previously reported	180 676 116	177 818 741
Add: Irregular expenditure	-	12 480 823
Less: Amount written off	-	(9 623 448)
Less: Amount written off - relating to prior period	(176 320 135)	-
Closing balance	**4 355 981**	**180 676 116**

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 176 320 135 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was valid expenditure.

Irregular expenditure

The irregular expenditure disclosed by the Municipality relates to Supply Chain Management Regulations 36 approvals by the Accounting Officer, Supply Chain Management Regulations 22 clause 2 (shortening of tender advertisement period) and the appointment of the ERP service provider. This matter is still under investigation as resolved by MPAC.

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2022	2021
Current year subscription / fee	10 686 781	10 119 822

Audit fees

	2022	2021
Current year subscription / fee	5 655 478	5 007 998

PAYE and UIF

	2022	2021
Current year subscription / fee	164 988 528	151 091 751
Amount paid - current year	(164 988 528)	(151 091 751)
	-	-

Notes to the Annual Financial Statements for the year ended 30 June 2022

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

Pension and Medical Aid Deductions

	2022	2021
Opening balance	(27 747)	(4 441)
Current year subscription / fee	224 744 695	154 780 297
Amount paid - current year	(224 748 495)	(154 803 602)
Amount paid - previous years	31 547	27 746
	-	-

VAT

	2022	2021
VAT receivable/(Payable)	6 037 154	(1 758 702)

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

Councillors' arrear consumer accounts

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

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Sabela LS	64	1 225	1 289
Zibani T	508	7 214	7 722
Zulu SH	56	9 221	9 277
Zwane	71	109	180
	699	**17 769**	**18 468**

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
De Wet H	100	-	100
Mthembu SN	536	2 363	2 899
Mthethwa KN	1 526	4 840	6 366
Ntuli DE	9 733	112 841	122 574
Simmadhri S	1 023	-	1 023
Wanda TP	-	306	306
Xulu ZZ	1 221	8 884	10 105
Zibani NT	124	-	124
Zondo LP	335	-	335
	14 598	**129 234**	**143 832**

Notes to the Annual Financial Statements for the year ended 30 June 2022

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident	2022	2021
Emergency	106 327 732	14 424 132
Sole provider	6 254 018	4 168 232
Exceptional case where it is impossible to follow the SCM process	86 314 615	227 153 685
	198 896 365	**245 746 049**

Awards to close family members of persons in the service of the state

In terms of section 45 of the municipal SCM regulation, any award above R 2 000 to a person who is a spouse, child or parent of a person in the service of the state must be disclosed in the Annual Financial Statements. The following is a list as recorded:

Name	Position	Amount
T Jordan	Manager	R 60 492.45
SI Mdletshe	Communication Facilitator	R 412 834.50
Total		**R 473 326.95**

49. Segment information

General information

Identification of segments

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

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

The reporting of information per geographical area is currently impractical.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Electricity Management	Energy Services
Waste Management	Refuse Services
Waste Water Management	Sewerage Services
Water Management	Water Services
Other	Community Services, Sports and Recreation, Roads, Public Safety, Finance & Admin, Housing and etc.

Notes to the Annual Financial Statements for the year ended 30 June 2022

Figures in Rand

49. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Electricity	Waste Management Services	Waste Water management	Water	Other	Total
Revenue						
External revenue from non-exchange transactions	13 899 782	83 892 003	193 341 067	221 777 273	725 613 700	1 238 523 825
External revenue from exchange transactions	1 504 306 503	114 841 871	108 124 666	1 055 843 936	335 575 128	3 118 692 104
Inter-segment revenue	82 658 018	-	4 141 008	17 378 967	-	104 177 993
Interest revenue	-	-	-	-	34 734 726	34 734 726
Total segment revenue	**1 600 864 303**	**198 733 874**	**305 606 741**	**1 295 000 176**	**1 095 923 554**	**4 496 128 648**
Entity's revenue						**4 496 128 648**
Expenditure						
Salaries and wages	83 470 892	102 279 656	74 422 159	95 321 496	676 800 196	1 032 294 399
Interest	20 151 566	168 293	4 158 511	15 896 653	16 824 813	57 199 836
Depreciation	27 289 186	1 703 865	64 723 825	72 548 324	164 406 831	330 672 031
Other Expenditure	1 388 611 231	65 626 421	104 661 588	950 048 458	326 150 027	2 835 097 725
Total segment expenditure	**1 519 522 875**	**169 778 235**	**247 966 083**	**1 133 814 931**	**1 184 181 867**	**4 255 263 991**
Total segmental surplus/(deficit)						**240 864 657**
Assets						
Segment assets	2 282 074 783	250 783 346	1 293 954 195	2 014 844 836	2 423 080 420	8 264 737 580
Total assets as per Statement of financial Position						**8 264 737 580**
Liabilities						
Segment liabilities	313 314 721	37 920 430	198 632 091	465 131 651	981 097 802	1 996 096 695

Notes to the Annual Financial Statements for the year ended 30 June 2022
Figures in Rand

	Electricity	Waste Management Services	Waste Water management	Water	Other	Total
49. Segment information (continued)						
Total liabilities as per Statement of financial Position						**1 996 096 695**

2021

	Electricity Management	Waste Management Services	Waste Water Management Services	Water Management	Other	Total
Revenue						
Revenue from non-exchange transactions	46 231 873	92 497 400	215 069 994	301 837 695	658 573 689	1 314 210 651
Revenue from exchange transactions	1 427 907 693	93 441 023	100 128 236	491 555 513	49 288 804	2 162 321 269
Inter-segment transfers	78 136 348	4 078 949	-	-	-	82 215 297
Interest revenue	-	-	-	-	32 646 390	32 646 390
Total segment revenue	**1 552 275 914**	**190 017 372**	**315 198 230**	**793 393 208**	**740 508 883**	**3 591 393 607**
Entity's revenue						**3 591 393 607**
Expenditure						
Salaries and wages	78 303 089	92 124 463	65 087 756	86 040 572	627 015 876	948 571 756
Interest	20 656 792	172 782	4 269 435	16 320 680	17 601 758	59 021 447
Depreciation	25 144 601	1 815 945	80 775 318	86 938 078	151 784 879	346 458 821
Other Expenditure	1 278 964 182	51 474 727	201 292 410	329 459 614	245 406 368	2 106 597 301
Total segment expenditure	**1 403 068 664**	**145 587 917**	**351 424 919**	**518 758 944**	**1 041 808 881**	**3 460 649 325**
Total segmental surplus/(deficit)						**130 744 282**
Assets						
Segment assets	1 060 704 169	138 391 320	1 189 102 607	1 451 932 416	3 827 464 154	7 667 594 666
Total assets as per Statement of financial Position						**7 667 594 666**

Notes to the Annual Financial Statements for the year ended 30 June 2022

Figures in Rand

49. Segment information (continued)

Liabilities						
Segment liabilities	111 256 027	20 868 993	122 041 647	313 862 619	1 046 447 978	1 614 477 264
Total liabilities as per Statement of financial Position						**1 614 477 264**

50. Budget differences

Explanation of variances between approved and final budget amounts

The variance between approved and final budget is as a result of an adjustment budget that was approved by Council on 22 February 2022 (RPT 172415)

Explanation of variances greater than 20% between the final budget and actual amounts

Statement of financial performance:

Revenue

Rental of facilities and equipment

The variance is mainly due to the delay in the operation of the airport therefore rental revenue could not be realised.

Agency services

The variance is due previous extensions granted on renewal of licenses as well as the availability of other means for renewing vehicle licenses.

Interest received on investments

The variance is due to limited surplus available for investment for most part of the year as the municipality only drew down on the budgeted loan funds towards the end of the year.

Fines, Penalties

The variance is due to the expiry of the traffic fines management contract during the year, therefore fewer fines were issued.

Notes to the Annual Financial Statements for the year ended 30 June 2022

50. Budget differences (continued)

Transfers and subsidies

As a result of various lock down regulations implemented by government, a lot of activities and programmes only took place late in the financial year and therefore there was a decrease in the subsidies offered by the municipality.

Other Income

The variance is due to increased revenue on forfeited deposits than budget for.

Statement of financial position

Current assets

The variance is due to increased receivables from exchange transactions as well as statutory receivables.

51. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement(s).

Details of the arrangement(s) is|are as follows:Details of the arrangement(s) is|are as follows:

Department of Transport)

The municipality acts on behalf of the Department of Transport to issue licences to, and collect money from motorists, i.e. there are three parties to the arrangement, Principal (Department of Transport), Agent (uMhlathuze Municipality) and Third party (The Motorist)

As the Department of Transport is responsible for issuing the licence, the transaction is however between the Department of Transport and the motorist, i.e. the municipality is not a party to the transaction with the third parties. The municipality facilitates the issuing of these licences and the collection of the prescribed fees.

The municipality receives a fee of 8.55% of the transaction amount and there were no changes that occurred during the reporting period.

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is 4 691 626 (2021: 7 840 537).

Additional information

52. Operating surplus reconciliation

Included in operating surplus reflected in the Statement of Financial Performance are capital revenue items, namely capital grants revenue and land sales revenue. The net operating surplus excluding capital revenue is reconciled below:

	2022	2021
Surplus for the year	240 864 657	130 744 282
Less: Capital grants revenue	(183 194 282)	(188 216 565)
Less: Land sales	(140 000)	(90 000 000)
Operating surplus/(deficit) for the year	**57 530 375**	**(147 472 283)**

53. Irregular expenditure under assessment

There is currently a matter relating to eSikhaleni Fitness Centre Project Tender 8/2/1/UMH570-19/20 which is still under investigation for non-performance of contractor, consultant and payments not in line with percentage of work completed. The impact on irregular expenditure is not yet known and will only be assessed once the investigation has been completed.

Appendix A (Unaudited)
June 2022

Schedule of external loans as at 30 June 2022

	Loan Number	Redeemable	Balance at Wednesday, 30 June 2021 Rand	Received during the period Rand	Redeemed written off during the period / Interest accrued Rand	Balance at Thursday, 30 June 2022 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
DBSA (9,70%)	61007577	2029/06/29	268 308 111	-	23 812 491	244 495 620	-	-
			268 308 111	**-**	**23 812 491**	**244 495 620**	**-**	**-**
Other loans								
Standard Bank (5,82%)	665381	2030/06/30	90 028 687	-	6 862 167	83 166 520	-	-
Nedbank (9,59%)	1003878/3	2022/06/17	11 512 676	-	11 512 676	-	-	-
Nedbank (10,13%)	1003878/4	2024/06/28	30 008 326	-	10 002 776	20 005 550	-	-
Standard Bank (10,24%)	407554	2026/06/30	231 000 364	-	37 463 357	193 537 007	-	-
Standard Bank (7,81%)	727054	2032/06/30	-	374 000 000	(880 283)	374 880 283	-	-
			362 550 053	**374 000 000**	**64 960 693**	**671 589 360**	**-**	**-**
Total external loans								
Development Bank of South Africa			268 308 111	-	23 812 491	244 495 620	-	-
Other loans			362 550 053	374 000 000	64 960 693	671 589 360	-	-
			630 858 164	**374 000 000**	**88 773 184**	**916 084 980**	**-**	**-**

Appendix B (Unaudited)

June 2022

Analysis of property, plant and equipment as at 30 June 2022

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Acc Depr Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Acquisitions Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	1 054 071 451	-	-	-	-	-	**1 054 071 451**	-	(1 356 981)	-	-	-	**(1 356 981)**	1 052 714 470
	1 054 071 451	**-**	**-**	**-**	**-**	**-**	**1 054 071 451**	**-**	**(1 356 981)**	**-**	**-**	**-**	**(1 356 981)**	**1 052 714 470**
Infrastructure														
Roads Infrastructure	2 527 132 393	(1 673 762 511)	-	-	-	**(8 186)**	**853 361 696**	110 016 878	-	(33 623 297)	(51 165 610)	-	**25 227 971**	878 589 667
Storm water Infrastructure	1 165 779 163	(873 765 864)	-	-	-	**(64 517)**	**291 948 782**	1 320 394	-	33 623 297	(16 693 847)	-	**18 249 844**	310 198 626
Coastal Infrastructure	38 563 277	(19 685 402)	-	-	-	**-**	**18 877 875**	208 900	-	-	(1 264 820)	-	**(1 055 920)**	17 821 955
Information and Communication	91 843 382	(11 262 352)	-	-	-	**-**	**80 581 030**	1 169 385	-	(473 324)	(2 307 342)	-	**(1 611 281)**	78 969 749
Electrical Infrastructure	1 023 170 318	(404 291 177)	-	-	-	**(465 898)**	**618 413 243**	128 595 457	(9 654 855)	(6 568 015)	(25 647 248)	(37 414)	**86 687 925**	705 101 168
Rail Infrastructure	6 106 569	(4 623 970)	-	-	-	**-**	**1 482 599**	-	-	-	(95 958)	-	**(95 958)**	1 386 641
Sanitation Infrastructure	1 853 835 322	(1 171 552 979)	-	-	-	**(982 734)**	**681 299 609**	27 578 304	(4 785 071)	2 669 985	(46 915 702)	(250 927)	**(21 703 411)**	659 596 198
Solid Waste Infrastructure	13 083 754	(6 242 314)	-	-	-	**-**	**6 841 440**	552 436	-	-	(535 324)	-	**17 112**	6 858 552
Water Supply Infrastructure	5 240 483 956	(3 707 312 649)	-	-	-	**(1 982 849)**	**1 531 188 458**	261 825 321	(5 878 800)	902 786	(71 416 952)	(1 259 963)	**184 172 392**	1 715 360 850
	1 959 998 134	**(7 872 499 218)**	**-**	**-**	**-**	**(3 504 184)**	**4 083 994 732**	**531 267 075**	**(20 318 726)**	**(3 468 568)**	**(216 042 803)**	**(1 548 304)**	**289 888 674**	**4 373 883 406**
Community Assets														
Community Facilities	302 828 635	(124 034 091)	-	-	-	**(669 452)**	**178 125 092**	2 776 517	(524 917)	3 793 283	(13 099 765)	-	**(7 054 882)**	171 070 210
Recreational Facilities	269 514 701	(125 156 051)	-	-	-	**(13 255)**	**144 345 395**	34 080 077	(959 086)	-	(11 759 139)	-	**21 361 852**	165 707 247
	572 343 336	**(249 190 142)**	**-**	**-**	**-**	**(682 707)**	**322 470 487**	**36 856 594**	**(1 484 003)**	**3 793 283**	**(24 858 904)**	**-**	**14 306 970**	**336 777 457**

Appendix B (Unaudited)

June 2022

Analysis of property, plant and equipment as at 30 June 2022

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Acc Depr Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Acquisitions Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	2 306 561	-	-	-	-	-	**2 306 561**	-	-	-	-	-	-	2 306 561
Other	158 050	-	-	-	-	-	**158 050**	-	-	-	-	-	-	158 050
	2 464 611	**-**	**-**	**-**	**-**	**-**	**2 464 611**	**-**	**-**	**-**	**-**	**-**	**-**	**2 464 611**
Specialised vehicles														
Other assets														
Transport Assets	122 403 015	(70 983 871)	-	-	-	-	**51 419 144**	787 673	-	-	(10 903 415)	-	**(10 115 742)**	41 303 402
Plant & equipment	368 399 331	(197 624 788)	-	-	-	-	**170 774 543**	40 737 873	(89 179)	(42 134)	(24 773 176)	-	**15 833 384**	186 607 927
Computer Equipment	48 688 968	(37 423 468)	-	-	-	-	**11 265 500**	4 597 182	(46 687)	43 333	(2 686 384)	-	**1 907 444**	13 172 944
Furniture & Fittings	29 524 174	(21 911 155)	-	-	-	-	**7 613 019**	427 935	(799)	(1 199)	(1 688 763)	-	**(1 262 826)**	6 350 193
Other buildings	321 270 861	(172 352 334)	-	-	-	**(590 432)**	**148 328 095**	9 580 307	(133 138)	(324 715)	(11 353 310)	-	**(2 230 856)**	146 097 239
Housing	182 886 221	(46 442 055)	-	-	-	-	**136 444 166**	-	-	-	(7 749 457)	-	**(7 749 457)**	128 694 709
	1 073 172 570	**(546 737 671)**	**-**	**-**	**-**	**(590 432)**	**525 844 467**	**56 130 970**	**(269 803)**	**(324 715)**	**(59 154 505)**	**-**	**(3 618 053)**	**522 226 414**

Appendix B (Unaudited)

June 2022

Analysis of property, plant and equipment as at 30 June 2022

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Acc Depr Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Acquisitions Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	1 054 071 451	-	-	-	-	**-**	**1 054 071 451**	-	(1 356 981)	-	-	-	**(1 356 981)**	1 052 714 470
Infrastructure	1 959 998 134	(7 872 499 218)	-	-	-	**(3 504 184)**	**4 083 994 732**	531 267 075	(20 318 726)	(3 468 568)	(216 042 803)	(1 548 304)	**289 888 674**	4 373 883 406
Community Assets	572 343 336	(249 190 142)	-	-	-	**(682 707)**	**322 470 487**	36 856 594	(1 484 003)	3 793 283	(24 858 904)	-	**14 306 970**	336 777 457
Heritage assets	2 464 611	-	-	-	-	**-**	**2 464 611**	-	-	-	-	-	**-**	2 464 611
Other assets	1 073 172 570	(546 737 671)	-	-	-	**(590 432)**	**525 844 467**	56 130 970	(269 803)	(324 715)	(59 154 505)	-	**(3 618 053)**	522 226 414
	4 662 050 102	**(8 668 427 031)**	**-**	**-**	**-**	**(4 777 323)**	**5 988 845 748**	**624 254 639**	**(23 429 513)**	**-**	**(300 056 212)**	**(1 548 304)**	**299 220 610**	**6 288 066 358**
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	189 595 867	(24 746 139)	-	-	-	**-**	**164 849 728**	40 769 392	-	-	(30 028 592)	-	**10 740 800**	175 590 528
Water Rights & Servitudes	3 552 458	-	-	-	-	**-**	**3 552 458**	9 576 953	-	-	(91 834)	-	**9 485 119**	13 037 577
	193 148 325	**(24 746 139)**	**-**	**-**	**-**	**-**	**168 402 186**	**50 346 345**	**-**	**-**	**(30 120 426)**	**-**	**20 225 919**	**188 628 105**
Investment properties														
Investment property	106 618 532	(7 494 871)	-	-	-	**(8 516)**	**99 115 145**	-	-	-	(495 390)	-	**(495 390)**	98 619 755
	106 618 532	**(7 494 871)**	**-**	**-**	**-**	**(8 516)**	**99 115 145**	**-**	**-**	**-**	**(495 390)**	**-**	**(495 390)**	**98 619 755**
Total														
Land and buildings	1 054 071 451	-	-	-	-	**-**	**1 054 071 451**	-	(1 356 981)	-	-	-	**(1 356 981)**	1 052 714 470
Infrastructure	1 959 998 134	(7 872 499 218)	-	-	-	**(3 504 184)**	**4 083 994 732**	531 267 075	(20 318 726)	(3 468 568)	(216 042 803)	(1 548 304)	**289 888 674**	4 373 883 406
Community Assets	572 343 336	(249 190 142)	-	-	-	**(682 707)**	**322 470 487**	36 856 594	(1 484 003)	3 793 283	(24 858 904)	-	**14 306 970**	336 777 457
Heritage assets	2 464 611	-	-	-	-	**-**	**2 464 611**	-	-	-	-	-	**-**	2 464 611
Other assets	1 073 172 570	(546 737 671)	-	-	-	**(590 432)**	**525 844 467**	56 130 970	(269 803)	(324 715)	(59 154 505)	-	**(3 618 053)**	522 226 414
Intangible assets	193 148 325	(24 746 139)	-	-	-	**-**	**168 402 186**	50 346 345	-	-	(30 120 426)	-	**20 225 919**	188 628 105
Investment properties	106 618 532	(7 494 871)	-	-	-	**(8 516)**	**99 115 145**	-	-	-	(495 390)	-	**(495 390)**	98 619 755
	4 961 816 959	**(8 700 668 041)**	**-**	**-**	**-**	**(4 785 839)**	**6 256 363 079**	**674 600 984**	**(23 429 513)**	**-**	**(330 672 028)**	**(1 548 304)**	**318 951 139**	**6 575 314 218**

Appendix B (Unaudited)
June 2022

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Appendix B (Unaudited)
June 2022

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Appendix F (Unaudited)
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2022

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / wi	
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Dec	Mar
Museum Subsidy	KZN - Dept of Edu & Culture	-	-	225 000	-	1 057 046	806 849	901 522	844 745	-	-
Housing operationa acc	KZN - Dept of Housing	1 595 687	30 893	137 865	-	8 205 576	7 322 334	5 850 004	7 192 649	-	-
IUDG	National Treasury	49 392 000	41 670 000	39 688 000	-	19 441 319	37 636 573	45 851 779	27 820 330	-	-
Financial Management Grant	National Treasury	2 450 000	-	-	-	848 265	911 179	212 906	477 641	-	-
Equitable share	National Treasury	173 384 000	138 708 000	104 032 000	-	-	-	-	-	-	-
EPWP		-	-	-	-	-	-	-	-	-	-
Energy effecient and demand mngt	National Treasury	2 000 000	1 500 000	500 000	-	-	-	1 690 265	2 309 735	-	-
Mpembeni Modular Library	KZN- Dept of Library Services	-	682 000	-	-	-	-	-	185 096	-	-
Water services Infrastructure	National Treasury	15 000 000	15 000 000	10 000 000	-	13 065 710	10 889 611	4 299 215	11 745 465	-	-
Extended public works programme	National Treasury	855 000	1 537 000	1 025 000	-	928 684	663 115	765 146	1 060 055	-	-
eSikhawini hostel refurbishmen t	KZN - Dept of Hosing	9 428	9 189	10 212	12 479	85 928	29 205	-	-	-	-
INEP	National treasury	-	-	-	-	-	-	-	-	-	-

Beach Protection	KCDM	-	-	-	-	-	-	-	-	-	-
Implementation of the enhanced extended discount benefit scheme	KZN - Dept of Hosing	6 013	6 356	7 105	8 650	-	-	-	44 200	-	-
Libraries - Internet Access	KZN - Dept of library services	-	1 936 000	-	-	472 286	430 060	541 220	1 400 317	-	-
Library Subsidy	KZN - Dept of library services	-	9 136 000	-	-	9 457 081	8 343 544	7 883 544	6 072 898	-	-
Career Expo	Dept of public works	-	-	-	-	-	-	-	-	-	-
Asset Donated	Dept of Arts & Culture	-	-	-	1 301 800	-	-	-	1 301 800	-	-
Asset Donated	Dept of sport	-	-	-	-	-	-	-	-	-	-
Richards Bay Airport	KZN - Economic Development & Tourism	-	-	-	-	-	-	-	-	-	-
Asset donated	KZN - COGTA	-	-	-	325 000	-	-	-	325 000	-	-
Donated land	Department of human settlemnt	-	-	-	-	-	-	-	-	-	-
Tourism Development	KZN - COGTA	-	-	-	-	-	-	-	-	-	-
MunicipalExcellence Award	KZN - COGTA	-	-	-	-	-	-	-	-	-	-
Implement of the enhanced discount benefit	KZN - Housing	-	-	-	-	-	-	-	-	-	-
Comm Dev Programme	KZN - COGTA	-	-	-	-	-	-	-	-	-	-
GIS	KZN - COGTA	-	-	-	-	-	-	-	-	-	-
Sport & Rec	Dept of Sport	-	3 647 667	3 647 667	-	6 444 574	307 007	-	-	-	-
Cleanest town	Water Affairs	-	-	-	-	-	-	-	667 203	-	-
Intergrated urban development grant	National Treasury	-	-	-	-	-	-	-	-	-	-
		244 692 128	213 863 105	159 272 849	1 647 929	60 006 469	67 339 477	67 995 601	61 447 134	-	-

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.