**Mandeni Municipality**
**Annual Financial Statements**
**for the year ended 30 June 2023**

# General Information

| | |
|---|---|
| **Legal form of entity** | Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996) |
| **Nature of business and principal activities** | The provision of services (electricity and refuse) to communities in a sustainable manner to promote social and economic development, and to promote a safe and a healthy environment. |
| **MEMBERS OF EXECUTIVE COUNCIL** | |
| Mayor and Chairman of the Executive Committee | Cllr TP Mdlalose |
| Deputy Mayor | Cllr BL Magwaza |
| Speaker (Ex-Officio) | Cllr PM Sishi |
| Members of the Executive Committee | Cllr SZ Mdletshe |
| | Cllr ST Magwaza |
| | Cllr MS Mdunge |
| | Cllr M Shelembe |
| | Cllr M Mthembu |
| **Other councillors** | Cllr NO Dladla |
| | Cllr SF Gina |
| | Cllr BA Khumalo |
| | Cllr NH Khuzwayo |
| | Cllr SA Mabhida |
| | Cllr SJ Mathonsi |
| | Cllr XH Mathonsi |
| | Cllr S Mathonsi |
| | Cllr MC Mkhaliphi |
| | Cllr BA Mchunu |
| | Cllr ST Thwala |
| | Cllr SS Mdunge |
| | Cllr CT Mhlongo |
| | Cllr CL Mthembu |
| | Cllr DGP Mthembu |
| | Cllr LS Mthembu |
| | Cllr LS Zungu |
| | Cllr SP Naicker |
| | Cllr MT Ncanana |
| | Cllr NS Ncube |
| | Cllr MB Ngidi |
| | Cllr S Nkwanyana |
| | Cllr PP Nsele |
| | Cllr S Ntuli |
| | Cllr NR Dludla |
| | Cllr ZM Nxumalo |
| | Cllr SW Shandu |

# General Information

| | |
|---|---|
| **Senior management** | SG Khuzwayo - Municipal Manager<br>NN Mngomezulu - Chief Financial Officer (Contract ended 30 June 2023)<br>VP Zulu - Director: Corporate Services<br>RS Dlamini - Director: Technical Services<br>B Sithole - Director: Public Safety and Community Services<br>WD Mbongwa - Director: Economic Development<br>NZ Guzana - Chief Financial Officer (Acting from 01 July 2023) |
| **Auditors** | Auditor-General South Africa |
| **Bankers** | First National Bank<br>Nedbank |
| **Attorneys** | Phumlani Ngubane<br>Tembe Kheswa Nxumalo Incorporated<br>Mhlanga Incorporated<br>Bhekisisa Goqo & Co<br>Memela and Associates<br>Matthew Francis Inc. |
| **Registered office** | Mandeni Municipal Office<br>2 Kingfisher Road<br>Mandeni<br>4490 |
| **Business address** | 2 Kingfisher Road<br>Mandeni<br>4490 |
| **Postal address** | P O Box 144<br>Mandeni<br>4490 |
| **Telephone number** | 032 - 456 8200 |
| **Fax number** | 032 - 456 2504 |
| **Email address** | info@mandeni.gov.za |
| **Grading of local authority** | 3 |
| **Jurisdiction** | Mandeni Boundary (as determined by the Demarcation Board) |
| **Legislation governing the municipality's operations** | Local Government: Municipal Finance Management Act (Act 56 of 2003)<br>Local Government: Municipal Systems Act (Act 32 of 2000)<br>Local Government: Municipal Structures Act (Act 117 of 1998)<br>Constitution of the Republic of south Africa (Act 108 of 1998)<br>Municipal Property Rates Act (act of 6 2004)<br>Division of Revenue Act (Act 1 of 2007) |

# Index

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

# Index

| | |
|---|---|
| COID | Compensation for Occupational Injuries and Diseases |
| DBSA | Development Bank of South Africa |
| GRAP | Generally Recognised Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IPSAS | International Public Sector Accounting Standards |
| MFMA | Municipal Finance Management Act |
| mSCOA | Municipal Standard Chart of Accounts |
| LGSETA | Local Government Sector Education and Training Authority |
| SALGA | South African Local Government Association |
| SARS | South African Revenue Service |
| SCM | Supply Chain Management |
| MIG | Municipal Infrastructure Grant |
| MEC | Member of Executive Committee |

# Accounting Officer's Responsibilities and Approval

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

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

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 32 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporative Governance and Traditional Affairs' determination in accordance with this Act.

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

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

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

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

The external auditor, being the Auditor General of South Africa, is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on pages 7 to 94, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed by:

**SG Khuzwayo**
**Accounting Officer**

**31 August 2023**

# Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2023.

**1. Going concern**

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

**2. Subsequent events**

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

**3. Accounting policies**

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

**4. Non-current assets**

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

## Statement of Financial Position as at 30 June 2023

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Inventories | 3 | 713,851 | 807,121 |
| Receivables from exchange transactions | 4 | 22,594,046 | 11,966,770 |
| Receivables from non-exchange transactions | 5 | 3,669,060 | 3,055,786 |
| Statutory receivables | 6 | 25,531,019 | 19,026,490 |
| VAT receivable | 7 | 3,542,099 | 1,788,995 |
| Call and investments deposits | 8 | 244,203,556 | 138,861,901 |
| Cash and cash equivalents | 9 | 10,321,268 | 4,119,614 |
| | | **310,574,899** | **179,626,677** |
| **Non-Current Assets** | | | |
| Investment property | 10 | 60,544,000 | 88,163,500 |
| Property, plant and equipment | 11 | 541,774,597 | 484,787,955 |
| Intangible assets | 12 | 330,671 | 476,853 |
| Call and investments deposits | 8 | - | 65,000,000 |
| | | **602,649,268** | **638,428,308** |
| **Total Assets** | | **913,224,167** | **818,054,985** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Finance lease obligation | 13 | - | 13,719 |
| Payables from exchange transactions | 14 | 45,373,160 | 32,491,560 |
| Consumer deposits | 15 | 216,464 | 269,853 |
| Unspent conditional grants and receipts | 16 | 25,788,956 | 8,705,120 |
| | | **71,378,580** | **41,480,252** |
| **Non-Current Liabilities** | | | |
| Employee benefit obligation | 17 | 22,587,476 | 22,795,217 |
| **Total Liabilities** | | **93,966,056** | **64,275,469** |
| **Net Assets** | | **819,258,111** | **753,779,516** |
| Reserves | | | |
| Housing Development fund | | 1,986,085 | 1,878,425 |
| Accumulated surplus | 18 | 817,272,026 | 751,901,091 |
| **Total Net Assets** | | **819,258,111** | **753,779,516** |

* See Note 59

# Statement of Financial Performance

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Service charges | 20 | 61,433,607 | 56,776,414 |
| Rental of facilities and equipment | 21 | 354,021 | 324,595 |
| Interest income - Service charges | 22 | 1,228,720 | 1,058,661 |
| Licences and permits | 23 | 547,007 | 791,212 |
| Other income | 24 | 3,586,648 | 1,052,961 |
| Interest received - investment | 25 | 20,010,444 | 10,694,201 |
| **Total revenue from exchange transactions** | | **87,160,447** | **70,698,044** |
| **Revenue from non-exchange transactions** | | | |
| **Taxation revenue** | | | |
| Property rates | 26 | 51,761,585 | 43,599,893 |
| Interest income - Property rates | 27 | 2,627,819 | 2,328,532 |
| **Transfer revenue** | | | |
| Government grants & subsidies | 28 | 263,259,332 | 263,612,482 |
| Fines, penalties and forfeits | 29 | 1,001,853 | 1,201,534 |
| Donated assets income | 30 | 5,234,331 | 1,649,000 |
| **Total revenue from non-exchange transactions** | | **323,884,920** | **312,391,441** |
| **Total revenue** | 19 | **411,045,367** | **383,089,485** |
| **Expenditure** | | | |
| Employee related costs | 31 | (116,925,166) | (109,119,850) |
| Remuneration of councillors | 32 | (14,325,359) | (13,797,605) |
| Depreciation and amortisation | 33 | (30,160,938) | (31,725,852) |
| Finance costs | 39 | (3,322,630) | (2,656,611) |
| Lease rentals on operating lease | 38 | (1,175,012) | (1,450,248) |
| Debt impairment | 37 | (15,022,247) | (20,429,748) |
| Inventory consumed | 34 | (4,371,235) | (1,423,755) |
| Bulk purchases | 35 | (45,292,594) | (36,574,524) |
| Contracted services | 40 | (55,399,609) | (49,993,730) |
| General expenses | 41 | (42,537,447) | (38,219,000) |
| **Total expenditure** | | **(328,532,237)** | **(305,390,923)** |
| **Operating surplus** | | **82,513,130** | **77,698,562** |
| Loss on disposal/scrapings of assets | 42 | (2,117,512) | (818,869) |
| Fair value adjustments | 43 | (15,819,500) | 3,576,500 |
| Actuarial gains/losses | 17 | 3,169,090 | 4,005,157 |
| Impairment loss | 36 | (2,374,266) | (3,530,083) |
| | | **(17,142,188)** | **3,232,705** |
| **Surplus for the year** | | **65,370,942** | **80,931,267** |

* See Note 59

## Statement of Changes in Net Assets

| Figures in Rand | Other NDR | Accumulated surplus | Total net assets |
|---|---|---|---|
| Opening balance as previously reported | 1,826,842 | 669,713,266 | 671,540,108 |
| Adjustments | | | |
| Prior year adjustments (note 59) | - | 1,256,558 | 1,256,558 |
| **Balance at 01 July 2021 as restated*** | **1,826,842** | **670,969,824** | **672,796,666** |
| Changes in net assets | | | |
| Surplus for the year as previously reported | - | 80,559,824 | 80,559,824 |
| Prior period errors (note 59) | - | 371,443 | 371,443 |
| Interest on reserves | 51,583 | - | 51,583 |
| Total changes | 51,583 | 80,931,267 | 80,982,850 |
| **Balance at 01 July 2022 as restated*** | **1,878,425** | **751,901,084** | **753,779,509** |
| Changes in net assets | | | |
| Surplus for the year | - | 65,370,942 | 65,370,942 |
| Interest on reserves | 107,660 | - | 107,660 |
| Total changes | 107,660 | 65,370,942 | 65,478,602 |
| **Balance at 30 June 2023** | **1,986,085** | **817,272,026** | **819,258,111** |

* See Note 59

# Cash Flow Statement

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Taxation | | 48,271,418 | 45,494,977 |
| Sale of goods and services | | 61,558,578 | 60,079,306 |
| Grants | | 281,103,240 | 244,897,558 |
| Interest income | | 12,113,117 | 7,989,438 |
| | | 403,046,353 | 358,461,279 |
| **Payments** | | | |
| Employee costs | | (130,376,808) | (123,542,667) |
| Suppliers | | (151,437,231) | (144,467,725) |
| Other payments | | (324,760) | (58,461) |
| | | (282,138,799) | (268,068,853) |
| **Net cash flows from operating activities** | 45 | **120,907,554** | **90,392,426** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 11 | (75,545,053) | (63,545,832) |
| Proceeds from sale of property, plant and equipment | 11 | 1,086,867 | - |
| **Net cash flows from investing activities** | | **(74,458,186)** | **(63,545,832)** |
| **Cash flows from financing activities** | | | |
| Finance lease payments | | (13,719) | (896,351) |
| Interest on reserves capitalised | | 107,660 | 51,583 |
| **Net cash flows from financing activities** | | **93,941** | **(844,768)** |
| **Net increase in cash and cash equivalents** | | **46,543,309** | **26,001,826** |
| Cash and cash equivalents at the beginning of the year | | 207,981,515 | 181,979,689 |
| **Cash and cash equivalents at the end of the year** | 8&9 | **254,524,824** | **207,981,515** |

* See Note 59

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual |
|---|---|---|---|---|---|
| **Statement of Financial Performance** | | | | | |
| **Revenue** | | | | | |
| **Revenue from exchange transactions** | | | | | |
| Service charges | 44,327,505 | - | **44,327,505** | 61,433,607 | **17,106,102** |
| Rental of facilities and equipment | 178,160 | - | **178,160** | 354,021 | **175,861** |
| Interest earned on service charges | 915,989 | - | **915,989** | 1,228,720 | **312,731** |
| Licences and permits | 691,680 | - | **691,680** | 547,007 | **(144,673)** |
| Other income | 744,334 | 1,687,868 | **2,432,202** | 3,586,648 | **1,154,446** |
| Interest received - investment | 5,700,000 | 13,500,000 | **19,200,000** | 20,010,444 | **810,444** |
| **Total revenue from exchange transactions** | **52,557,668** | **15,187,868** | **67,745,536** | **87,160,447** | **19,414,911** |
| **Revenue from non-exchange transactions** | | | | | |
| **Taxation revenue** | | | | | |
| Property rates | 48,880,318 | - | **48,880,318** | 51,761,585 | **2,881,267** |
| Interest earned on property rates | 2,831,075 | - | **2,831,075** | 2,627,819 | **(203,256)** |
| **Transfer revenue** | | | | | |
| Government grants & subsidies | 262,507,000 | 16,308,000 | **278,815,000** | 263,259,332 | **(15,555,668)** |
| Fines, Penalties and Forfeits | 277,720 | 1,200,000 | **1,477,720** | 1,001,853 | **(475,867)** |
| Donated assets income | - | - | **-** | 5,234,331 | **5,234,331** |
| **Total revenue from non-exchange transactions** | **314,496,113** | **17,508,000** | **332,004,113** | **323,884,920** | **(8,119,193)** |
| **Total revenue** | **367,053,781** | **32,695,868** | **399,749,649** | **411,045,367** | **11,295,718** |
| **Expenditure** | | | | | |
| Employee related costs | (121,829,954) | - | **(121,829,954)** | (116,925,166) | **4,904,788** |
| Remuneration of councillors | (14,681,872) | - | **(14,681,872)** | (14,325,359) | **356,513** |
| Depreciation and amortisation | (33,746,817) | - | **(33,746,817)** | (30,160,938) | **3,585,879** |
| Finance costs | (3,407,870) | - | **(3,407,870)** | (3,322,630) | **85,240** |
| Lease rentals on operating lease | (1,364,078) | - | **(1,364,078)** | (1,175,012) | **189,066** |
| Debt Impairment | (35,797,595) | - | **(35,797,595)** | (15,022,247) | **20,775,348** |
| Bad debts written off | (6,750,000) | - | **(6,750,000)** | - | **6,750,000** |
| Inventory consumed | (3,987,455) | (1,105,999) | **(5,093,454)** | (4,371,235) | **722,219** |
| Bulk purchases | (33,950,012) | (5,100,000) | **(39,050,012)** | (45,292,594) | **(6,242,582)** |
| Contracted Services | (63,868,385) | (718,400) | **(64,586,785)** | (55,399,609) | **9,187,176** |
| General expenses | (42,340,665) | (2,104,019) | **(44,444,684)** | (42,537,447) | **1,907,237** |
| **Total expenditure** | **(361,724,703)** | **(9,028,418)** | **(370,753,121)** | **(328,532,237)** | **42,220,884** |
| **Operating surplus** | **5,329,078** | **23,667,450** | **28,996,528** | **82,513,130** | **53,516,602** |
| Loss on disposal/scrappings of assets | - | (1,000,000) | **(1,000,000)** | (2,117,512) | **(1,117,512)** |
| Fair value adjustments | - | - | **-** | (15,819,500) | **(15,819,500)** |
| Actuarial gains/losses | - | - | **-** | 3,169,090 | **3,169,090** |
| Impairment loss/ Reversal of impairments | - | - | **-** | (2,374,266) | **(2,374,266)** |
| | **-** | **(1,000,000)** | **(1,000,000)** | **(17,142,188)** | **(16,142,188)** |
| **Surplus before taxation** | **5,329,078** | **22,667,450** | **27,996,528** | **65,370,942** | **37,374,414** |
| **Actual Amount on Comparable Basis as Presented** | **5,329,078** | **22,667,450** | **27,996,528** | **65,370,942** | **37,374,414** |

Material budget differences are disclosed in note 55 - budget variances.

# Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | | | | | |
| **Financial Performance** | | | | | | | | | | | |
| Property rates | 48,880,318 | - | 48,880,318 | - | | 48,880,318 | 51,761,585 | | 2,881,267 | 106 % | 106 % |
| Service charges | 44,327,505 | - | 44,327,505 | - | | 44,327,505 | 61,433,607 | | 17,106,102 | 139 % | 139 % |
| Investment revenue | 5,700,000 | 13,500,000 | 19,200,000 | - | | 19,200,000 | 20,010,444 | | 810,444 | 104 % | 351 % |
| Transfers recognised - operational | 224,045,200 | (656,000) | 223,389,200 | - | | 223,389,200 | 221,749,301 | | (1,639,899) | 99 % | 99 % |
| Other own revenue | 5,638,958 | 2,887,868 | 8,526,826 | - | | 8,526,826 | 14,579,530 | | 6,052,704 | 171 % | 259 % |
| **Total revenue (excluding capital transfers and contributions)** | **328,591,981** | **15,731,868** | **344,323,849** | **-** | | **344,323,849** | **369,534,467** | | **25,210,618** | **107 %** | **112 %** |
| Employee related costs | (121,829,954) | - | (121,829,954) | - | - | (121,829,954) | (116,925,166) | - | 4,904,788 | 96 % | 96 % |
| Remuneration of councillors | (14,681,872) | - | (14,681,872) | - | - | (14,681,872) | (14,325,359) | - | 356,513 | 98 % | 98 % |
| Depreciation and asset impairment | (33,746,817) | - | (33,746,817) | | | (33,746,817) | (32,535,204) | - | 1,211,613 | 96 % | 96 % |
| Finance charges | (3,407,870) | - | (3,407,870) | - | - | (3,407,870) | (3,322,630) | - | 85,240 | 97 % | 97 % |
| Bulk purchases | (33,950,012) | (5,100,000) | (39,050,012) | - | - | (39,050,012) | (45,292,594) | - | (6,242,582) | 116 % | 133 % |
| Inventory consumed | (3,987,455) | (1,105,999) | (5,093,454) | - | - | (5,093,454) | (4,371,235) | - | 722,219 | 86 % | 110 % |
| Other expenditure | (150,120,723) | (3,822,419) | (153,943,142) | - | - | (153,943,142) | (128,902,237) | - | 25,040,905 | 84 % | 86 % |
| **Total expenditure** | **(361,724,703)** | **(10,028,418)** | **(371,753,121)** | **-** | **-** | **(371,753,121)** | **(345,674,425)** | **-** | **26,078,696** | **93 %** | **96 %** |
| **Surplus/(Deficit)** | **(33,132,722)** | **5,703,450** | **(27,429,272)** | **-** | | **(27,429,272)** | **23,860,042** | | **51,289,314** | **(87)%** | **(72)%** |

# Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | 38,461,800 | 16,964,000 | 55,425,800 | - | | 55,425,800 | 41,510,900 | | (13,914,900) | 75 % | 108 % |
| **Surplus (Deficit) after capital transfers and contributions** | **5,329,078** | **22,667,450** | **27,996,528** | **-** | | **27,996,528** | **65,370,942** | | **37,374,414** | **233 %** | **1,227 %** |
| **Surplus/(Deficit) for the year** | **5,329,078** | **22,667,450** | **27,996,528** | **-** | | **27,996,528** | **65,370,942** | | **37,374,414** | **233 %** | **1,227 %** |
| **Capital expenditure and funds sources** | | | | | | | | | | | |
| Total capital expenditure | (78,311,180) | (8,354,751) | (86,665,931) | - | | (86,665,931) | (75,545,053) | | 11,120,878 | 87 % | 96 % |
| **Sources of capital funds** | | | | | | | | | | | |
| Transfers recognised - capital | (32,692,530) | (1,287,654) | (33,980,184) | - | | (33,980,184) | (33,980,184) | | - | 100 % | 104 % |
| Internally generated funds | (45,618,650) | (7,067,097) | (52,685,747) | - | | (52,685,747) | (41,564,869) | | 11,120,878 | 79 % | 91 % |
| **Total sources of capital funds** | **(78,311,180)** | **(8,354,751)** | **(86,665,931)** | **-** | | **(86,665,931)** | **(75,545,053)** | | **11,120,878** | **87 %** | **96 %** |

## Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cash flows** | | | | | | | | | | | |
| Net cash from (used) operating | 108,590,023 | 3,214,622 | 111,804,645 | - | | 111,804,645 | 120,907,554 | | 9,102,909 | 108 % | 111 % |
| Net cash from (used) investing | (72,359,377) | (30,208,555) | (102,567,932) | - | | (102,567,932) | (74,458,186) | | 28,109,746 | 73 % | 103 % |
| Net cash from (used) financing | (550,000) | 180,000 | (370,000) | - | | (370,000) | 93,941 | | 463,941 | (25)% | (17)% |
| **Net increase/(decrease) in cash and cash equivalents** | **35,680,646** | **(26,813,933)** | **8,866,713** | **-** | | **8,866,713** | **46,543,309** | | **37,676,596** | **525 %** | **130 %** |
| Cash and cash equivalents at the beginning of the year | 158,436,156 | 49,545,359 | 207,981,515 | - | | 207,981,515 | 207,981,515 | | - | 100 % | 131 % |
| **Cash and cash equivalents at year end** | **194,116,802** | **22,731,426** | **216,848,228** | **-** | | **216,848,228** | **254,524,824** | | **(37,676,596)** | **117 %** | **131 %** |

# Accounting Policies

## 1. Presentation of Annual Financial Statements

### 1.1 Basis of preparation

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

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

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

These accounting policies are consistent with the previous period.

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

### 1.2 Significant judgements and sources of estimation uncertainty

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

**Trade receivables**

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

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

**Impairment testing**

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

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

**Provisions**

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

**Useful lives of property, plant and equipment and other assets**

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

### 1.2 Significant judgements and sources of estimation uncertainty (continued)

**Post-retirement benefits**

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

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

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

**Effective interest rate**

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

**Allowance for debt impairment**

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

### 1.3 Going concern - assumption

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

### 1.4 Investment property

Investment property is property (land or a building - or part of a building) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services; or for
- administrative purposes; or
- sale in the ordinary course of operations.

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

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

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

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

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

### 1.4 Investment property (continued)

**Subsequent measurement - Fair value**

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

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

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

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

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

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

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

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

### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

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

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

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

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

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

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

# Accounting Policies

### 1.5 Property, plant and equipment (continued)

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

**Subsequent measurement - cost model (land and buildings)**

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

**Subsequent measurement - cost model**

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

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

**Depreciation**

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

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

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

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

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

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

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

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

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

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

**Derecognition**

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

## Accounting Policies

### 1.5 Property, plant and equipment (continued)

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

### 1.6 Intangible assets

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

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

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

Intangible assets are initially recognised at cost.

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

| Item | Useful life |
|---|---|
| Computer software | 3 years |

### 1.6 Intangible assets (continued)

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

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

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

**Derecognition**

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

### 1.7 Financial instruments

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

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

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

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

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

### 1.7 Financial instruments (continued)

**Initial and subsequent measurement**

**Financial assets**

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

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

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

**Financial liabilities**

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

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

**Impairment of financial assets**

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

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

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

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

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

**Derecognition of financial assets**

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

### 1.7 Financial instruments (continued)

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

**Derecognition of financial liabilities**

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

### 1.8 Statutory receivables

**Identification**

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

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

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

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

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

**Recognition**

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

**Initial measurement**

The municipality initially measures statutory receivables at their transaction amount.

**Subsequent measurement**

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

**Accrued interest**

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

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

### 1.8 Statutory receivables (continued)

#### Impairment losses

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

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

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

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

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

#### Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

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

# Accounting Policies

## 1.9 Leases

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

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

**Finance leases - lessee**

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

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

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

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

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

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

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

**Operating leases - lessee**

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

## 1.10 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

### 1.10 Inventories (continued)

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

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

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

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

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

### 1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

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

**Identification**

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

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

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

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

**Value in use**

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

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

**Discount rate**

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

**Recognition and measurement (individual asset)**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

**Cash-generating units**

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

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

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

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

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

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

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

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

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

**Reversal of impairment loss**

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

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

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

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

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

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

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

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

# Accounting Policies

### 1.12 Employee benefits

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

**Short-term employee benefits**

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

**Post-employment benefits**

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

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

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

### 1.12 Employee benefits (continued)

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

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

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

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

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

**Post-employment benefits: Defined contribution plans**

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

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

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

**1.12 Employee benefits (continued)**

**Post-employment benefits: Defined benefit plans**

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

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

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

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

### 1.12 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

**1.12 Employee benefits (continued)**

**Actuarial assumptions**

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

**Long-term service awards**

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

# Accounting Policies

### 1.12 Employee benefits (continued)

**Termination benefits**

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

### 1.13 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating expenditure.

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

**1.13 Provisions and contingencies (continued)**

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47 unless the possibility of an outflow or resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefit is probable.

**Decommissioning, restoration and similar liability**

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

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

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

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

### 1.13 Provisions and contingencies (continued)

**Levies**

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

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

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

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

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

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

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

### 1.14 Revenue from exchange transactions

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

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

**Measurement**

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

**Sale of goods**

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

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

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

### 1.14 Revenue from exchange transactions (continued)

**Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

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

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

**Interest**

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

### 1.15 Revenue from non-exchange transactions

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

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

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

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

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

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

### 1.15 Revenue from non-exchange transactions (continued)

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

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

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

**Recognition**

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

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

**Measurement**

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

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

**Taxes**

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

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

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

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

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

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

**Transfers**

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

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

### 1.15 Revenue from non-exchange transactions (continued)

**Fines**

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

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

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

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

**Gifts and donations, including goods in-kind**

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

**Services in-kind**

Services in-kind are not recognised.

**Concessionary loans received**

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

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

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

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

# Accounting Policies

### 1.16 Value-added tax

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

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

### 1.17 Comparative figures

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

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

### 1.18 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No.56 of 2003) and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b),(c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or a grant by the municipality in accordance with the Municipal Finance Management Act.

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

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

### 1.19 Fruitless and wasteful expenditure

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

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

### 1.20 Irregular expenditure

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

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

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

# Accounting Policies

### 1.21 Accumulated surplus

**Capital replacement reserve (CRR)**

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

These transfers from the net surplus may only be made if they are backed by cash. The amount transferred to CRR is based on the municipality's need to finance future capital progress included in the integrated development plan. The following provisions are set for the creation and utilisation of the CRR:
- the cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- interest earned on the CRR investment is recorded as part of the total interest earned in the statement of financial performance
- the CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for maintenance of these items.
- whenever an asset is purchased out of CRR, an amount equal to the cost price of the asset purchased is transferred from the CRR into a future depreciation reserve called the Capitalisation Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the CRR. The Capitalisation Reserve is used to offset depreciation charged on assets purchased out of the CRR to avoid double taxation of the consumers.
- if a gain is made on the sale of assets previously purchased out of the CRR, the gain on these assets sold is reflected in the statement of financial performance.

**Housing development fund**

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

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

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

**Revaluation reserve**

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

**Donations and public contributions reserve**

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

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

### 1.21 Accumulated surplus (continued)

**Government grant reserve**

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

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

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

### 1.22 Budget information

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

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

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

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

### 1.23 Related parties

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

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

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

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

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

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

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

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

# Accounting Policies

### 1.23 Related parties (continued)

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

### 1.24 Events after the reporting date

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

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

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

### 1.25 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.26 Share capital / contributed capital

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

### 1.27 Borrowing costs

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

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

### 1.28 Accounting by principals and agents

**Identification**

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

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

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

**Identifying whether an entity is a principal or an agent**

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

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

**Binding arrangement**

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

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

**Recognition**

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

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

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

# Accounting Policies

### 1.29 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.

### 1.30 Transfers and subsidies

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

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

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 2. New standards and interpretations

### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has not adopted any standards and interpretations that are effective for the current financial year and that are relevant to its operations.

### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|---|---|
| • GRAP 25 (as revised): Employee Benefits | No effective date set | Unlikely there will be a material impact |
| • Guideline: Guideline on the Application of Materiality to Financial Statements | No effective date set | Unlikely there will be a material impact |
| • GRAP 104 (as revised): Financial Instruments | 01 April 2023 | Unlikely there will be a material impact |
| • iGRAP 21: The Effect of Past Decisions on Materiality | 01 April 2023 | Unlikely there will be a material impact |
| • GRAP 2020: Improvements to the standards of GRAP 2020 | 01 April 2023 | Unlikely there will be a material impact |
| • GRAP 1 (amended): Presentation of Financial Statements | 01 April 2023 | Unlikely there will be a material impact |

## 3. Inventories

| | 2023 | 2022 |
|---|---|---|
| Consumable stores | 572,495 | 566,658 |
| Maintenance materials | 141,356 | 240,463 |
| | **713,851** | **807,121** |
| **Consumable stores** | | |
| Opening balance | 566,658 | 665,866 |
| Additions | 1,000,821 | 618,941 |
| Issued/(expensed) | (994,984) | (718,149) |
| | **572,495** | **566,658** |
| **Maintenance materials** | | |
| Opening balance | 240,463 | 197,895 |
| Additions | 111,887 | 374,886 |
| Issued/(expensed) | (210,994) | (332,318) |
| | **141,356** | **240,463** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 4. Receivables from exchange transactions

| | | |
|---|---|---|
| **Gross balances** | | |
| Electricity | 8,939,077 | 9,856,137 |
| Refuse | 58,977,145 | 52,636,492 |
| Prepayments | 2,529,593 | 1,628,001 |
| Accrued investment income | 9,753,164 | 3,721,082 |
| | **80,198,979** | **67,841,712** |
| **Less: Allowance for impairment** | | |
| Electricity | (3,682,694) | (5,608,571) |
| Refuse | (53,922,239) | (50,266,371) |
| | **(57,604,933)** | **(55,874,942)** |
| **Net balance** | | |
| Electricity | 5,256,383 | 4,247,566 |
| Refuse | 5,054,906 | 2,370,121 |
| Prepayments | 2,529,593 | 1,628,001 |
| Accrued investment income | 9,753,164 | 3,721,082 |
| | **22,594,046** | **11,966,770** |
| **Electricity** | | |
| Current (0 -30 days) | 4,393,445 | 3,817,774 |
| 31 - 60 days | 686,539 | 700,211 |
| 61 - 90 days | 1,168,834 | 185,060 |
| 91 - 120 days | 172,723 | 1,753,544 |
| 121 - 365 days | 488,648 | 474,685 |
| > 365 days | 2,028,889 | 2,924,863 |
| Impairment | (3,682,693) | (5,608,571) |
| | **5,256,385** | **4,247,566** |
| **Refuse** | | |
| Current (0 -30 days) | 1,892,897 | 959,121 |
| 31 - 60 days | 898,404 | 832,051 |
| 61 - 90 days | 908,925 | 800,839 |
| 91 - 120 days | 1,701,590 | 788,829 |
| 121 - 365 days | 5,738,897 | 1,558,519 |
| > 365 days | 47,836,433 | 47,697,133 |
| Impairment | (53,922,239) | (50,266,371) |
| | **5,054,907** | **2,370,121** |
| **Prepayments** | | |
| Current (0 -30 days) | 2,529,593 | 1,628,001 |
| **Accrued investment income** | | |
| Current (0 -30 days) | 9,753,164 | 3,721,082 |

| Figures in Rand | 2023 | 2022 |
| --- | --- | --- |

### 5. Receivables from non-exchange transactions

| | | |
| --- | --- | --- |
| **Gross balances** | | |
| Interest | 38,041,107 | 35,695,747 |
| Other receivables from non-exchange transactions (not aged) | 1,023,517 | 928,258 |
| | **39,064,624** | **36,624,005** |

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

| | | |
| --- | --- | --- |
| Other receivables | 777,947 | 682,688 |
| Postage deposit | 10,000 | 10,000 |
| Rental deposits | 235,570 | 235,570 |
| | **1,023,517** | **928,258** |

| | | |
| --- | --- | --- |
| **Less: Non-exchange transactions impairment** | | |
| Interest | (34,973,136) | (33,145,791) |
| Other | (422,428) | (422,428) |
| | **(35,395,564)** | **(33,568,219)** |

| | | |
| --- | --- | --- |
| **Net balances** | | |
| Interest | 3,067,971 | 2,549,956 |
| Other | 601,089 | 505,830 |
| | **3,669,060** | **3,055,786** |

| | | |
| --- | --- | --- |
| **Interest** | | |
| Current (0 -30 days) | 666,348 | 295,381 |
| 31 - 60 days | 316,895 | 283,428 |
| 61 - 90 days | 319,520 | 285,951 |
| 91 - 120 days | 631,688 | 285,743 |
| 121 - 365 days | 2,061,756 | 563,479 |
| > 365 days | 34,044,899 | 33,981,765 |
| Less: Impairment | (34,973,136) | (33,145,791) |
| | **3,067,970** | **2,549,956** |

| | | |
| --- | --- | --- |
| **Other** | | |
| Receivables not aged | 1,023,517 | 928,258 |
| Less: Impairment | (422,428) | (422,428) |
| | **601,089** | **505,830** |

| | | |
| --- | --- | --- |
| **Total** | | |
| Current (0 -30 days) | 1,689,865 | 1,223,639 |
| 31 - 60 days | 316,895 | 283,428 |
| 61 - 90 days | 319,520 | 285,951 |
| 91 - 120 days | 631,688 | 285,743 |
| 121 - 365 days | 2,061,756 | 563,480 |
| > 365 days | 34,044,899 | 33,981,764 |
| | 39,064,623 | 36,624,005 |
| Less: Impairment | (35,395,564) | (33,568,219) |
| | **3,669,059** | **3,055,786** |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 5. Receivables from non-exchange transactions (continued)

| | | |
|---|---|---|
| **Households** | | |
| Current (0 -30 days) | 3,878,617 | 3,748,016 |
| 31 - 60 days | 2,295,678 | (16,454) |
| 61 - 90 days | 2,991,561 | 1,701,561 |
| 91 - 120 days | 3,603,879 | 1,698,962 |
| 121 - 365 days | 11,523,180 | 13,904,857 |
| > 365 days | 122,444,323 | 111,600,717 |
| Less: Impairment | (131,971,395) | (126,872,601) |
| | **14,765,843** | **5,765,058** |
| **Industrial/Commercial** | | |
| Current (0 -30 days) | 4,680,956 | 4,240,190 |
| 31 - 60 days | 828,275 | (1,628) |
| 61 - 90 days | 807,184 | 619,904 |
| 91 - 120 days | 937,581 | 1,964,097 |
| 121 - 365 days | 10,283,015 | 5,175,633 |
| > 365 days | 17,743,474 | 15,765,270 |
| Less: Impairment | (22,835,903) | (21,421,078) |
| | **12,444,582** | **6,342,388** |
| **National/Provincial Government** | | |
| Current (0 -30 days) | 409,428 | 14,958 |
| 31 - 60 days | 253,295 | (567,918) |
| 61 - 90 days | 350,830 | 172,196 |
| 91 - 120 days | 621,683 | 266,453 |
| 121 - 365 days | 6,008,049 | 5,914,200 |
| > 365 days | 16,168,217 | 15,149,268 |
| Less: Impairment | (12,979,829) | (7,478,243) |
| | **10,831,673** | **13,470,914** |
| **Provision for Impairment** | | |
| Current (0 -30 days) | (4,109,655) | (1,812,228) |
| 31 - 60 days | (105,068) | (98,233) |
| 61 - 90 days | (875,352) | (818,406) |
| 91 - 120 days | (906,392) | (847,427) |
| 121 - 365 days | (20,591,909) | (2,890,766) |
| > 365 days | (143,630,387) | (150,648,127) |
| | **(170,218,763)** | **(157,115,187)** |

**Reconciliation of allowance for impairment for receivables**

| | | |
|---|---|---|
| Opening balance | (157,115,187) | (139,813,418) |
| Contribution for bad debt | (13,103,575) | (17,301,769) |
| | **(170,218,762)** | **(157,115,187)** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 6. Statutory receivables

### Statutory receivables general information

| | 2023 | 2022 |
|---|---|---|
| **Gross balances** | | |
| Rates | 99,871,418 | 84,690,309 |
| Fines | 2,877,871 | 2,009,208 |
| | **102,749,289** | **86,699,517** |
| **Less: Allowance for impairment** | | |
| Rates | (75,209,062) | (66,752,189) |
| Fines | (2,009,208) | (920,838) |
| | **(77,218,270)** | **(67,673,027)** |
| **Net balances** | | |
| Rates | 24,662,356 | 17,938,120 |
| Fines | 868,663 | 1,088,370 |
| | **25,531,019** | **19,026,490** |
| **Rates** | | |
| Current (0 -30 days) | 2,016,312 | 662,182 |
| 31 - 60 days | 1,475,410 | 865,663 |
| 61 - 90 days | 1,752,297 | 1,302,151 |
| 91 - 120 days | 2,657,141 | 1,161,350 |
| 121 - 365 days | 19,524,944 | 2,051,708 |
| > 365 days | 72,445,792 | 78,647,255 |
| Less: Impairment | (75,209,062) | (66,752,189) |
| | **24,662,834** | **17,938,120** |
| **Fines** | | |
| Not aged | 2,877,871 | 2,009,208 |
| Less: Impairment | (2,009,208) | (920,838) |
| | **868,663** | **1,088,370** |
| **Total** | | |
| Current (0 -30 days) | 4,894,183 | 2,672,090 |
| 31 - 60 days | 1,475,410 | 865,663 |
| 61 - 90 days | 1,752,297 | 1,302,151 |
| 91 - 120 days | 2,657,141 | 1,161,350 |
| 121 - 365 days | 19,524,944 | 2,051,708 |
| > 365 days | 72,445,792 | 78,646,555 |
| Less: Impairment | (77,218,266) | (67,673,027) |
| | **25,531,501** | **19,026,490** |

| Figures in Rand | 2023 | 2022 |
| --- | --- | --- |

**6. Statutory receivables (continued)**

**Transactions arising from statute**

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

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

**Determination of transaction amount**

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

**Interest charged**

Interest is accrued on the outstanding balance of statutory receivables. The municipality adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest on property rates is calculated at the rate of 2% per annum.

Interest charged on property rates is recognised in the statement of financial performance as follows:

| | | |
| --- | --- | --- |
| Interest income - Property rates | 2,627,819 | 2,328,532 |

**7. VAT receivable**

| | | |
| --- | --- | --- |
| VAT | 3,542,099 | 1,788,995 |

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

| | | |
| --- | --- | --- |
| VAT Receivable [Payment basis] | 2,395,937 | 3,559,174 |
| Add: Deferred VAT on liabilities | 3,115,012 | 1,128,173 |
| Less: Deferred VAT on receivables | (1,968,850) | (2,898,352) |
| | **3,542,099** | **1,788,995** |

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

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

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 8. Call and investments deposits

Call investment deposits consist of deposits and conditional grants that are ring-fenced to be cash backed.

| | 2023 | 2022 |
|---|---|---|
| **Nedbank - Mandeni branch** | | |
| **Call investment deposits** | | |
| **Account number - 037881155450 000020** | | |
| Cash book balance | 65,000,000 | 65,000,000 |
| Bank statement balance | 65,000,000 | 65,000,000 |
| **First National Bank - Mandeni branch -** | | |
| **Call investment deposits** | | |
| **Account number - C061294217372** | | |
| Cash book balance | 101,653,216 | 14,084,602 |
| Bank statement balance | 101,653,216 | 14,084,602 |
| **First National Bank - Mandeni branch -** | | |
| **Call investment deposits** | | |
| **Account number - C062028673219** | | |
| Cash book balance | 1,985,234 | 1,877,573 |
| Bank statement balance | 1,985,233 | 1,877,573 |
| **First National Bank - Mandeni branch -** | | |
| **Call investment deposits** | | |
| **Account number - C062812286400** | | |
| Cash book balance | 201,670 | (152,378) |
| Bank statement balance | 201,680 | 24,080 |
| **Nedbank - Mandeni branch -** | | |
| **Call investment deposits** | | |
| **Account number - 037881155450 000025** | | |
| Cash book balance | 50,000,000 | - |
| Bank statement balance | 50,000,000 | - |
| **First National Bank - Mandeni branch -** | | |
| **Call investment deposits** | | |
| **Account number - C062113325882** | | |
| Cash book balance | 390,196 | 280,655 |
| Bank statement balance | 390,197 | 280,655 |
| **First National Bank - Mandeni branch -** | | |
| **Call investment deposits** | | |
| **Account number - C062527527462** | | |
| Cash book balance | 869,183 | 2,874,430 |
| Bank statement balance | 1,635,942 | 2,874,430 |
| **First National Bank - Mandeni branch -** | | |
| **Call investment deposits** | | |
| **Account number - C062538203449** | | |
| Cash book balance | 2,898,721 | 3,715,886 |
| Bank statement balance | 2,898,721 | 3,715,886 |
| **Nedbank - Mandeni branch** | | |
| **Call investment deposits** | | |
| **Account number - 037881155450 000018** | | |
| Cash book balance | - | 50,000,000 |
| Bank statement balance | - | 50,000,000 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 8. Call and investments deposits (continued)

| | | |
|---|---|---|
| **First National Bank - Mandeni branch** | | |
| **Call investment deposits -** | | |
| **Account number - C062812286963** | | |
| Cash book balance | 5,552,784 | 6,181,133 |
| Bank statement balance | 5,552,784 | 6,285,161 |
| | | |
| **First National Bank - Mandeni branch -** | | |
| **Call investment deposits** | | |
| **Account number - C63048438097** | | |
| Cash book balance | 15,652,552 | - |
| Bank statement balance | 15,652,552 | - |
| | | |
| **Nedbank - Mandeni branch - Call Investment deposit** | | |
| **Account number - 037881155450 000015** | | |
| Cash book balance | - | 30,000,000 |
| Bank statement balance | - | 30,000,000 |
| | | |
| **Nedbank - Mandeni branch - Call Investment deposit** | | |
| **Account number - 037881155450 000019** | | |
| Cash book balance | - | 30,000,000 |
| Bank statement balance | - | 30,000,000 |
| **Cash book balance** | **244,203,556** | **203,861,901** |

| | | |
|---|---|---|
| **Split between current and non-current portions** | | |
| Current assets | 244,203,556 | 138,861,901 |
| Non-current assets | - | 65,000,000 |
| | **244,203,556** | **203,861,901** |

**8. Call and investments deposits (continued)**

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

- First National Bank - Mandeni branch - Call investment deposits
  Account number - C061294217372
- First National Bank - Mandeni branch - Call investment deposits
  Account number - C062113325882
- First National Bank - Mandeni branch - Call investment deposits
  Account number - C062538203449
- Nedbank - Mandeni branch - Call investment deposits
  Account number - 037881155450 015.
- Nedbank - Mandeni branch - Call investment deposits
  Account number - 037881155450 019.
- Nedbank - Mandeni branch - Call investment deposits
  Account number - 037881155450 018
- Nedbank - Mandeni branch - Call investment deposits
  Account number - 037881155450 020
- Nedbank - Mandeni branch - Call investment deposits
  Account number - 037881155450 025

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
| --- | --- | --- |

## 8. Call and investments deposits (continued)

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

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

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

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

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

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

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

## 9. Cash and cash equivalents

Cash and cash equivalents consist of:

| | 2023 | 2022 |
| --- | --- | --- |
| Cash on hand | 1,233 | 1,233 |
| Bank balances | 10,320,035 | 4,118,381 |
| | **10,321,268** | **4,119,614** |

## 10. Investment property

| | 2023 | | | 2022 | | |
| --- | --- | --- | --- | --- | --- | --- |
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 60,544,000 | - | 60,544,000 | 88,163,500 | - | 88,163,500 |

**Reconciliation of investment property - 2023**

| | Opening balance | Additions | Disposals | Transfers | Fair value adjustments | Total |
| --- | --- | --- | --- | --- | --- | --- |
| Investment property | 88,163,500 | - | - | (11,800,000) | (15,819,500) | 60,544,000 |

**Reconciliation of investment property - 2022**

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

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 10. Investment property (continued)

**Pledged as security**

No items of investment property have been pledged as security.

**Details of valuation**

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

| **Fair value of investment properties** | | |
|---|---|---|
| Portion 6 of Farm Lot 5 Ca No. 8440 | 15,000 | 30,000 |
| Lot 56 of Padianager | 127,000 | 60,000 |
| Lot 1203 of Mandeni - Aloe Road | 60,000 | 49,000 |
| Lot 571 of Mandeni - Anderson Road | 260,000 | 250,000 |
| Lot 504 of Mandeni - Matthews Road | 1,760,000 | 1,730,000 |
| Lot 327 of Mandeni - Greig Road | 650,000 | 620,000 |
| Lot 1466 of Mandeni - Aloe Road | 210,000 | 302,000 |
| Portion 4 of Farm Lot 13 Tugela No. 13862 | 736,000 | 780,000 |
| The Farm Lot 5 Ca No. 8440 | 3,330,000 | 1,450,000 |
| Remainder of Farm Lot 30 Inyoni No. 13890 | - | 55,400,000 |
| Lot 1340 of Mandeni | 60,000 | 43,500 |
| Lot 1018 of Mandeni | 240,000 | 220,000 |
| Lot 175 of Padianagar | 250,000 | 140,000 |
| Lot 48 Tugela Mouth | 330,000 | 280,000 |
| Portion 6 Lot 9901 Newark no. 2621 | 5,790,000 | 1,300,000 |
| Various lots Padianagar | 21,287,000 | 4,102,500 |
| Various lots Tugela | 540,000 | 458,000 |
| Various lots Tugela Ext 3 | 2,147,000 | 1,564,000 |
| Various lots Tugela Ext 7 | 338,000 | 330,000 |
| Various lots Tugela Ext 8 | 22,414,000 | 19,054,500 |
| | **60,544,000** | **88,163,500** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
| --- | --- | --- |

## 10. Investment property (continued)

**Investment properties transferred**

The following investment properties were transferred by the municipality from investment property to property, plant and equipment.

The Remainder of Farm Lot Inyoni no. 13890 now registered as ERF 412 Isithebe Industrial Estate was transferred to Land under Property Plant and Equipment (PPE) for an amount of R11 800 000 as per the Property Valuation for the year ended 30 June 2023. This is due to new Township registration of Portion 1, 2 & 3 of ERF 412 that took place during the 2022-23 Financial Year.

| | | |
| --- | --- | --- |
| Remainder of Farm Lot 30 Inyoni No. 13890 (ERF 412, Isithebe Industrial Estate) | 11,800,000 | - |

| **The breakdown of the investment property transferred to PPE is as follows;** | | |
| --- | --- | --- |
| RDP Housing Estate - Now Unreg ERF 412 Isithebe - Value split according to use | 57,800,000 | - |
| Residential Land - No 3020 plots - Average extent per site 348m2 - Approx. R 15000 per plot | (46,000,000) | - |
| | **11,800,000** | **-** |

| **The investment property transferred to PPE is categorised as follows:** | | |
| --- | --- | --- |
| Commercial land | 740,000 | - |
| School, administration, community facilities etc. land | 5,400,000 | - |
| Infrastructure land (roads, rail & reservoirs) | 3,760,000 | - |
| Conservation & passive open space | 1,900,000 | - |
| | **11,800,000** | **-** |

### 11. Property, plant and equipment

| | 2023 | | | 2022 | | |
| --- | --- | --- | --- | --- | --- | --- |
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 31,983,320 | - | 31,983,320 | 19,890,000 | - | 19,890,000 |
| Buildings | 45,587,738 | (4,308,304) | 41,279,434 | 35,327,302 | (3,554,299) | 31,773,003 |
| Infrastructure | 528,306,305 | (206,906,129) | 321,400,176 | 511,243,381 | (191,025,834) | 320,217,547 |
| Community | 117,352,785 | (28,647,077) | 88,705,708 | 98,822,147 | (25,574,902) | 73,247,245 |
| Other property, plant and equipment | 84,294,406 | (25,888,447) | 58,405,959 | 62,804,862 | (23,144,702) | 39,660,160 |
| **Total** | **807,524,554** | **(265,749,957)** | **541,774,597** | **728,087,692** | **(243,299,737)** | **484,787,955** |

### 11. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment - 2023**

| | Opening balance | Additions | WIP Transferred | Disposals | Transfers received | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|---|
| Land | 19,890,000 | 379,320 | - | (86,000) | 11,800,000 | - | - | 31,983,320 |
| Buildings | 31,773,003 | 10,591,478 | - | (195,848) | - | (889,199) | - | 41,279,434 |
| Infrastructure | 320,217,547 | 34,789,703 | (11,438,129) | (45,293) | - | (19,963,618) | (2,160,034) | 321,400,176 |
| Community | 73,247,245 | 39,267,152 | (19,498,155) | (407,343) | - | (3,688,959) | (214,232) | 88,705,708 |
| Other property, plant and equipment | 39,660,160 | 26,688,015 | - | (2,360,161) | - | (5,582,055) | - | 58,405,959 |
| | **484,787,955** | **111,715,668** | **(30,936,284)** | **(3,094,645)** | **11,800,000** | **(30,123,831)** | **(2,374,266)** | **541,774,597** |

**Reconciliation of property, plant and equipment - 2022**

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

**Pledged as security**

No items of property, plant and equipment were pledged as security.

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 11. Property, plant and equipment (continued)

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

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

**Reconciliation of Work-in-Progress 2023**

| | Included within Infrastructure | Included within Community | Included within Other PPE | Total |
|---|---|---|---|---|
| Opening balance | 29,101,164 | 12,765,670 | 7,795,424 | 49,662,258 |
| Additions/capital expenditure | 22,450,138 | 14,130,327 | 10,591,436 | 47,171,901 |
| WIP impaired | (2,160,034) | (214,232) | - | (2,374,266) |
| Transferred to completed items | (11,438,129) | (19,498,155) | - | (30,936,284) |
| | **37,953,139** | **7,183,610** | **18,386,860** | **63,523,609** |

**Reconciliation of Work-in-Progress 2022**

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

**Expenditure incurred to repair and maintain property, plant and equipment**

| | 2023 | 2022 |
|---|---|---|
| **Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance** | | |
| Buildings | 191,538 | 332,252 |
| Infrastructure | 9,083,517 | 7,199,106 |
| Community | 881,425 | 692,340 |
| Other property, plant and equipment | 3,751,627 | 3,984,594 |
| | **13,908,107** | **12,208,292** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 12. Intangible assets

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 1,133,009 | (802,338) | 330,671 | 1,678,382 | (1,201,529) | 476,853 |

**Reconciliation of intangible assets - 2023**

| | Opening balance | Disposals | Amortisation | Total |
|---|---|---|---|---|
| Computer software | 476,853 | (109,075) | (37,107) | 330,671 |

**Reconciliation of intangible assets - 2022**

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

**Pledged as security**

No items of intangible assets were pledged as security.

## 13. Finance lease obligation

| | 2023 | 2022 |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | - | 236 |
| | | |
| **Present value of minimum lease payments due** | | |
| - within one year | - | 13,719 |
| - in second to fifth year inclusive | - | - |
| | **-** | **13,719** |

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

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

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 14. Payables from exchange transactions

| | | |
|---|---|---|
| Trade payables | 17,817,924 | 7,334,010 |
| Retention | 7,315,639 | 7,459,054 |
| Other payables | 3,210,216 | 1,629,378 |
| Unallocated deposits | 1,975,493 | 2,022,917 |
| Leave accrual | 12,220,751 | 11,951,569 |
| Bonus accrual | 2,921,073 | 2,280,017 |
| | 45,461,096 | 32,676,947 |
| Cashier's collections | (87,936) | (185,387) |
| | **45,373,160** | **32,491,560** |

### 15. Consumer deposits

| | | |
|---|---|---|
| Electricity | 216,464 | 269,853 |

No guarantees are held in lieu of Electricity Deposits.

### 16. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

| | | |
|---|---|---|
| Library KZNPA grant | 119 | 119 |
| Sport and recreation grant | 57,961 | 57,961 |
| Housing Title Deed grant | 4,789,797 | 5,772,607 |
| Massification Grant | 4,760,653 | - |
| INEP grant | 624,326 | 2,874,433 |
| Municipal Disaster Relief grant | 15,556,100 | - |
| | **25,788,956** | **8,705,120** |

**Movement during the year**

| | | |
|---|---|---|
| Balance at the beginning of the year | 8,705,120 | 30,079,407 |
| Additions during the year | 281,103,240 | 242,105,798 |
| Income recognition during the year | (264,019,404) | (263,480,085) |
| | **25,788,956** | **8,705,120** |

See note 28 for reconciliation of grants from and receipts.

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

### 17. Employee benefit obligations

**Post-retirement medical benefit plan**

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

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by 1Pangaea Expertise Solutions. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

**Multi-employer pension funds**

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

All councillors belong to the pension fund for municipal councillors.

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

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

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

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

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

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

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

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

| | 2023 | 2022 |
|---|---|---|
| **Carrying value** | | |
| Present value of the defined benefit obligation-partly or wholly funded | (22,587,476) | (22,795,217) |

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

| | 2023 | 2022 |
|---|---|---|
| Opening balance | 18,002,747 | 18,696,772 |
| Net expense recognised in the statement of financial performance | 386,365 | (694,025) |
| | **18,389,112** | **18,002,747** |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 17. Employee benefit obligations (continued)

**Net expense recognised in the statement of financial performance**

| | | |
|---|---|---|
| Current service cost | 1,139,027 | 1,211,001 |
| Interest cost | 2,544,533 | 2,201,962 |
| Benefits paid | (688,870) | (509,766) |
| Actuarial (gains) losses | (2,608,325) | (3,597,222) |
| | **386,365** | **(694,025)** |

**Key assumptions used**

Assumptions used at the reporting date:

| | | |
|---|---|---|
| Expected retirement age | 63 | 63 |
| Discount rates used | 14.09 % | 12.27 % |
| Medical cost trend rates | 10.05 % | 9.28 % |
| Consumer price inflation | 8.55 % | 7.78 % |
| Net effective discount rate | 3.68 % | 2.74 % |

Percentage of in-service members withdrawing before retirement

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

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

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. The discount rate at 30 June 2023 is 14.09% which represents the average yield from the zero-coupon government bond curve over a 15 to 20 year term.

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

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

The implied inflation assumption is 8.55% per annum which represents the market's pricing of inflation by comparing the yields on index linked government bonds and long-term government bonds with a duration of 15 to 20 years, adjusting for an inflation risk premium of 1% per annum.

It has been assumed that the next salary increase will take place on 1 July 2023.

The next contribution increase was assumed to occur with effect from 1 January 2024.

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
| --- | --- | --- |

## 17. Employee benefit obligations (continued)

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

**Long service awards and retirement gifts**

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

The principal actuarial assumptions used were as follows:

| | | |
| --- | --- | --- |
| Discount rate per annum | 11.11 % | 10.93 % |
| General salary inflation (long-term) | 7.08 % | 8.24 % |
| Net effective discount rate | 3.76 % | 2.49 % |

| | | |
| --- | --- | --- |
| Examples of mortality rates used were as follows: | | |
| Average retirement age | 63 | 63 |
| Mortality during employment | SA 85-90 | |

| | | |
| --- | --- | --- |
| **Membership summary** | | |
| Number of members | 257 | 250 |
| Average age of members (years) | 40.91 | 41.12 |
| Average past service (years) | 8.18 | 8.58 |
| Average salary (annual) | 301,491 | 286,60 |

**Benefit Structure**

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

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 17. Employee benefit obligations (continued)

Movement in the defined benefit obligation is as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance at beginning of the year | 4,792,470 | 4,897,059 |
| Current service cost | 475,124 | 540,870 |
| Interest cost | 453,337 | 396,188 |
| Expected benefit payments | (961,802) | (633,712) |
| Recognised actuarial (gains) / losses | (560,765) | (407,935) |
| **Balance at end of year** | **4,198,364** | **4,792,470** |

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

| | 2023 | 2022 |
|---|---|---|
| Current service cost | 475,124 | 540,870 |
| Interest cost | 453,337 | 396,188 |
| Benefit payment | (961,802) | (633,712) |
| Actuarial (gains) / loss | (560,765) | (407,935) |
| | **(594,106)** | **(104,589)** |

In conclusion:

| | 2023 | 2022 |
|---|---|---|
| **Statement of Financial Position obligation for** | | |
| Long service award liability | 4,198,364 | 4,792,470 |
| Retirement benefit liability | 18,389,112 | 18,002,747 |
| | **22,587,476** | **22,795,217** |
| **Statement of Financial Performance obligation for** | | |
| Long service award expense | 594,106 | 104,589 |
| Retirement benefit expense | (386,365) | 694,025 |
| | **207,741** | **798,614** |

Key assumptions used

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

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

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

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. The discount rate is 11.11% which represents the average yield from the zero-coupon government bond curve over nine years which is consistent with the cash flow weighted average of the liabilities of nine years.

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
| --- | --- | --- |

## 18. Accumulated surplus

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

| | Revaluation reserve | Public contributions reserve | Accumulated surplus | Total |
| --- | --- | --- | --- | --- |
| **Balance at 01 July 2021** | **151,731,208** | **50,941,129** | **468,867,771** | **671,540,108** |
| Surplus for the year | - | - | 80,559,824 | 80,559,824 |
| Prior year adjustments | - | - | 1,628,001 | 1,628,001 |
| Reserves | - | - | 51,583 | 51,583 |
| **Balance at 01 July 2022** | **151,731,208** | **50,941,129** | **551,107,179** | **753,779,516** |
| Surplus for the year | - | - | 65,370,942 | 65,370,942 |
| Reserves | - | - | 107,660 | 107,660 |
| **Balance at 30 June 2023** | **151,731,208** | **50,941,129** | **616,585,781** | **819,258,118** |

## 19. Revenue

| | 2023 | 2022 |
| --- | --- | --- |
| Service charges | 61,433,607 | 56,776,414 |
| Rental of facilities and equipment | 354,021 | 324,595 |
| Interest received- external investments | 1,228,720 | 1,058,661 |
| Licences and permits | 547,007 | 791,212 |
| Other income | 3,586,648 | 1,052,961 |
| Interest received - external investments | 20,010,444 | 10,694,201 |
| Property rates | 51,761,585 | 43,599,893 |
| Government grants and subsidies | 263,259,332 | 263,612,482 |
| Fines | 1,001,853 | 1,201,534 |
| Donations received | 5,234,331 | 1,649,000 |
| | **408,417,548** | **380,760,953** |

| | 2023 | 2022 |
| --- | --- | --- |
| **The amount included in revenue arising from exchanges of goods or services are as follows:** | | |
| Service charges | 61,433,607 | 56,776,414 |
| Rental of facilities and equipment | 354,021 | 324,595 |
| Interest received- External Investments | 1,228,720 | 1,058,661 |
| Licences and permits | 547,007 | 791,212 |
| Other income | 3,586,648 | 1,052,961 |
| Interest received - external investment | 20,010,444 | 10,694,201 |
| | **87,160,447** | **70,698,044** |

| | 2023 | 2022 |
| --- | --- | --- |
| **The amount included in revenue arising from non-exchange transactions is as follows:** | | |
| **Taxation revenue** | | |
| Property rates | 51,761,585 | 43,599,893 |
| **Transfer revenue** | | |
| Government grants and subsidies | 263,259,332 | 263,612,482 |
| Fines | 1,001,853 | 1,201,534 |
| Donated assets income | 5,234,331 | 1,649,000 |
| | **321,257,101** | **310,062,909** |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 20. Service charges

| | | |
|---|---|---|
| Sale of electricity | 49,863,633 | 45,958,290 |
| Refuse removal | 11,569,974 | 10,818,124 |
| | **61,433,607** | **56,776,414** |

### 21. Rental of facilities and equipment

| | | |
|---|---|---|
| **Premises** | | |
| Hall hire | 211,703 | 113,655 |
| Municipal properties | 105,941 | 174,976 |
| Stalls rental | 36,378 | 35,965 |
| | **354,022** | **324,596** |

### 22. Interest income - Service charges

| | | |
|---|---|---|
| Interest received on service charges | 1,228,720 | 1,058,661 |

### 23. Licences and permits

| | | |
|---|---|---|
| Drivers licences | 23,412 | 13,043 |
| Business licences | 22,494 | 9,395 |
| Learners licences | 501,101 | 768,774 |
| | **547,007** | **791,212** |

### 24. Other income

| | | |
|---|---|---|
| Building plan fees | 76,467 | 53,902 |
| Sundry income | 1,702,196 | 387,070 |
| Connection fees | 95,354 | 75,331 |
| Photocopier charges | 73,765 | 56,981 |
| Rates clearance certificates | 20,133 | 27,342 |
| Town planning fees | 59,856 | 37,694 |
| Sale of land | 393,000 | - |
| LG SETA | 760,072 | 227,603 |
| Escort fees | 405,805 | 187,038 |
| | **3,586,648** | **1,052,961** |

### 25. Investment revenue

| | | |
|---|---|---|
| **Interest revenue** | | |
| Bank and call deposits | 20,010,444 | 10,694,201 |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 26. Property rates

**Rates received**

| | | |
|---|---|---|
| Residential | 21,313,255 | 17,403,438 |
| Commercial | 31,750,860 | 26,645,475 |
| State | 13,764,014 | 11,194,093 |
| Less: Rebates | (15,066,544) | (11,643,113) |
| | **51,761,585** | **43,599,893** |

**Valuations**

| | | |
|---|---|---|
| Residential | 1,147,644,000 | 1,147,644,000 |
| Commercial | 375,176,000 | 375,176,000 |
| Industrial | 127,837,000 | 127,837,000 |
| Industrial Estate Special | 855,622,000 | 855,622,000 |
| Mining | 15,000,000 | 15,000,000 |
| Agricultural | 387,217,000 | 387,217,000 |
| Municipal | 137,961,000 | 137,961,000 |
| Public Services Infrastructure | 20,343,000 | 20,343,000 |
| Public Benefit Organisation | 49,903,000 | 49,903,000 |
| Vacant land | 114,227,800 | 114,227,800 |
| State Trust land | 446,500,000 | 446,500,000 |
| Public Services Purposes | 422,300,000 | 422,300,000 |
| Place of Worship | 15,030,000 | 15,030,000 |
| | **4,114,760,800** | **4,114,760,800** |

Commercial includes industrial, mining and agriculture.

State includes institutional and public services infrastructure.

Valuations on land and buildings are performed every 5 years in line with the provisions of the MPRA. The last General Valuation Roll came into effect on 1 July 2018. It should be noted that a new General Valuation Roll, to be implemented over the next 5 years, was prepared during the year under review. As a result, the interim valuations could not be prepared as this will serve as a duplication hence the Market values remained unchanged for the year under review

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

| | | |
|---|---|---|
| Residential | 0.0155 | 0.0147 |
| Commercial | 0.0262 | 0.0250 |
| Industrial | 0.0262 | 0.0250 |
| Industrial Estate Special | 0.0262 | 0.0250 |
| Mining | 0.0262 | 0.0250 |
| Agriculture | 0.0039 | 0.0037 |
| Public Service Infrastructure | 0.0039 | 0.0037 |
| State | 0.0245 | 0.0234 |
| Municipal | 0.0245 | 0.0234 |
| State Trust land | 0.0195 | 0.0186 |
| Vacant land | 0.0245 | 0.0234 |
| Place of worship | 0.0245 | 0.0234 |
| Public benefit organisation | 0.0039 | 0.0234 |

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

## 27. Interest income - Property rates

| | | |
|---|---|---|
| Interest received on service charges | 2,627,819 | 2,328,532 |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 28. Government grants and subsidies

| | | |
|---|---|---|
| **Operating grants** | | |
| Equitable share | 212,818,432 | 191,149,220 |
| Finance Management Grant | 1,850,000 | 1,850,000 |
| Equitable share - COVID-19 | - | 20,015,155 |
| EDTEA Grant | 1,000,000 | - |
| Library grant | 3,708,000 | 4,214,000 |
| EPWP Grant | 2,372,000 | 2,435,000 |
| | **221,748,432** | **219,663,375** |
| **Capital grants** | | |
| Municipal Infrastructure Grant | 40,044,000 | 43,949,107 |
| Municipal Disaster Relief Grant | 1,466,900 | - |
| | **41,510,900** | **43,949,107** |
| | **263,259,332** | **263,612,482** |

**EPWP Grant**

| | | |
|---|---|---|
| Current-year receipts | 2,372,000 | 2,435,000 |
| Conditions met - transferred to revenue | (2,372,000) | (2,435,000) |
| | **-** | **-** |

Poverty alleviation programme.

**Municipal Infrastructure Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | 1,717,107 |
| Current-year receipts | 40,044,000 | 42,232,000 |
| Conditions met - transferred to revenue | (40,044,000) | (43,949,107) |
| | **-** | **-** |

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

**Sports and Recreation Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 57,961 | 57,961 |

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

To pay salaries and facility refurbishment.

**Scheme Support Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | 43,035 |
| Rolled over amounts/ Funds withheld by National Treasury | - | (43,035) |
| | **-** | **-** |

Software for improving building plans.

## Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 28. Government grants and subsidies (continued)

**Finance Management Grant**

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

Capacity building for the Budget and Treasury Office.

**Library Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 119 | 119 |
| Current-year receipts | 3,708,000 | 4,214,000 |
| Conditions met - transferred to revenue | (3,708,000) | (4,214,000) |
| | **119** | **119** |

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

To build modular library.

**EDTEA Grant**

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

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

Municipal Employment Initiative Grant from Economic Development, Tourism and Environmental Affairs.

**Municipal Disaster Relief Grant**

| | | |
|---|---|---|
| Current-year receipts | 17,023,000 | - |
| Conditions met - transferred to revenue | (1,466,900) | - |
| | **15,556,100** | - |

The grant is for disaster relief.

**Equitable share - COVID-19**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | 20,015,145 |
| Conditions met - transferred to revenue | - | (20,015,145) |
| | - | - |

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

### 29. Fines

| | | |
|---|---|---|
| Library fines | 553 | 284 |
| Traffic fines | 1,001,300 | 1,201,250 |
| | **1,001,853** | **1,201,534** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 30. Donated assets income

| | | |
|---|---|---|
| Donated assets | 5,234,331 | 1,649,000 |

In the current year the assets were donated by the Enterprise Ilembe (Economic Development Agency) towards the Mandeni Youth Enterprise Park. In the prior year the assets were donated by the KwaZulu-Natal Department of Arts and Culture to the Mandeni municipality's libraries.

### 31. Employee related costs

| | | |
|---|---|---|
| Basic | 74,961,149 | 71,435,717 |
| Bonus | 6,660,702 | 5,151,659 |
| Medical aid - company contributions | 5,425,769 | 5,272,609 |
| UIF | 478,229 | 486,699 |
| WCA | 60,668 | 50,561 |
| Leave pay accrual | 2,636,154 | 585,164 |
| Defined contribution plans | 11,824,447 | 10,691,847 |
| Overtime payments | 2,387,639 | 1,826,171 |
| Car allowance | 4,411,949 | 3,802,597 |
| Housing benefits and allowances | 1,074,192 | 1,280,577 |
| Cellphone allowance | 530,120 | 451,584 |
| Long service awards | 925,281 | 1,440,402 |
| | **111,376,299** | **102,475,587** |

**Remuneration of Municipal Manager**

| | | |
|---|---|---|
| Annual Remuneration | 966,085 | 1,112,976 |
| Car Allowance | 188,307 | 188,307 |
| Contributions to UIF, Medical and Pension Funds | 178 | 114 |
| | **1,154,570** | **1,301,397** |

**Remuneration of Chief Finance Officer**

| | | |
|---|---|---|
| Annual Remuneration | 819,551 | 808,461 |
| Car Allowance | 260,082 | 260,082 |
| Contributions to UIF, Medical and Pension Funds | - | 28 |
| | **1,079,633** | **1,068,571** |

**Remuneration of Director Corporate Services**

| | | |
|---|---|---|
| Annual Remuneration | 1,079,037 | 1,068,547 |
| Contributions to UIF, Medical and Pension Funds | - | 28 |
| | **1,079,037** | **1,068,575** |

**Remuneration of Director Community Services**

| | | |
|---|---|---|
| Annual Remuneration | 413,577 | 924,288 |
| Car Allowance | 105,000 | 144,256 |
| Contributions to UIF, Medical and Pension Funds | 178 | 28 |
| | **518,755** | **1,068,572** |

| Figures in Rand | 2023 | 2022 |
| --- | --- | --- |

### 31. Employee related costs (continued)

**Remuneration of Director Technical Services**

| | | |
| --- | --- | --- |
| Annual Remuneration | 678,370 | 842,328 |
| Car Allowance | 164,649 | 226,216 |
| Contributions to UIF, Medical and Pension Funds | 708 | 28 |
| | **843,727** | **1,068,572** |

**Remuneration of Director EDPHS**

| | | |
| --- | --- | --- |
| Annual Remuneration | 685,445 | 890,328 |
| Car Allowance | 187,520 | 178,215 |
| Contributions to UIF, Medical and Pension Funds | 178 | 28 |
| | **873,143** | **1,068,571** |
| | **116,925,166** | **109,119,850** |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 32. Remuneration of councillors

| | | |
|---|---|---|
| Mayor | 963,579 | 900,936 |
| Deputy Mayor | 779,504 | 728,988 |
| Mayoral Committee Members | 2,555,844 | 2,458,032 |
| Speaker | 779,504 | 728,989 |
| Councillors | 7,657,939 | 7,129,597 |
| Councillors allowances | 1,588,989 | 1,851,063 |
| | **14,325,359** | **13,797,605** |

**In-kind benefits**

**The Mayor**

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

2 bodyguards.

1 driver.

2 Municipal vehicles purchased.

Tools of trade as Gazette 46470: Determination of upper limit on Office bearers.

**The Speaker**

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

1 driver.

1 vehicle purchased.

Tools of trade as Gazette 46470: Determination of upper limit on Office bearers.

**The Deputy Mayor**

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

1 driver.

1 vehicle purchased.

Tools of trade as Gazette 46470: Determination of Upper Limit of Office Bearers.

### 33. Depreciation and amortisation

| | | |
|---|---|---|
| Property, plant and equipment | 30,085,443 | 31,615,536 |
| Intangible assets | 75,495 | 110,316 |
| | **30,160,938** | **31,725,852** |

### 34. Inventory consumed

| | | |
|---|---|---|
| Consumables and materials | 4,371,235 | 1,423,755 |

### 35. Bulk purchases

| | | |
|---|---|---|
| Electricity - Eskom | 45,292,594 | 36,574,524 |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 36. Impairment loss

| | | |
|---|---|---|
| **Impairments** | | |
| Property, plant and equipment | 2,374,266 | 3,530,083 |
| Impairment loss is due to the project that has been halted i.e. Construction of CBD informal trader stalls. Realignment of Thokoza road project under the NDPG Funding was also not completed due to land legal issues. Various Internal and main collectors in Sundumbili Ward 13,14 &15 and Mandeni rural were also impaired to zero and de-recognised because of the deconstruction and rehabilitation that is taking place. | | |

## 37. Debt impairment

| | | |
|---|---|---|
| Contributions to debt impairment provision | 15,022,247 | 20,429,748 |

## 38. Lease rentals on operating lease

| | | |
|---|---|---|
| **Motor vehicles** | | |
| Contractual amounts | 1,529 | 146,410 |
| **Equipment** | | |
| Contractual amounts | 1,173,483 | 1,303,838 |
| | **1,175,012** | **1,450,248** |

## 39. Finance costs

| | | |
|---|---|---|
| Trade and other payables | 324,524 | 2,581 |
| Finance leases | 236 | 55,880 |
| Retirement benefit obligation | 2,997,870 | 2,598,150 |
| | **3,322,630** | **2,656,611** |

## 40. Contracted services

| | | |
|---|---|---|
| **Consultants and Professional Services** | | |
| Business and advisory | 5,405,316 | 4,255,579 |
| Legal cost | 3,058,824 | 2,946,189 |
| Audit committee fees | 240,040 | 194,783 |
| Shared services | 276,749 | 262,000 |
| **Contractors** | | |
| Fire services | 3,859,399 | 4,041,006 |
| Maintenance of buildings and facilities | 18,295,768 | 18,332,516 |
| Prepaid electricity vendors | 2,487,308 | 1,574,097 |
| Graphic designers | 293,000 | - |
| **Outsourced Services** | | |
| Internal auditors | 711,169 | 1,367,929 |
| Transport services | 859,529 | 266,800 |
| Security services | 12,321,294 | 11,580,493 |
| Catering services | 2,147,769 | 1,048,163 |
| Animal care | 348,750 | - |
| Refuse removal | 3,059,214 | 2,632,207 |
| Cleaning services | 306,026 | 360,256 |
| Valuers | 936,600 | 421,848 |
| Stage and Sound Crew | 456,980 | 345,614 |
| Burial services | 335,874 | 364,250 |
| | **55,399,609** | **49,993,730** |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 41. General expenses

| | | |
|---|---|---|
| Advertising | 1,208,178 | 1,288,719 |
| Auditors remuneration | 2,361,186 | 1,692,387 |
| Bank charges | 448,930 | 380,657 |
| Consulting fees | 1,964,346 | 2,470,762 |
| Deed search costs | 35,994 | 24,719 |
| Electricity - internal | 1,703,234 | 1,239,147 |
| Fuel and oil | 6,487,461 | 5,598,905 |
| Hire charges | 813,618 | 756,888 |
| LED Vuthela (SECO) | 150,000 | 300,000 |
| IT expenses | 29,164 | 11,610 |
| Insurance | 1,978,792 | 1,689,258 |
| LED programs | - | 167,266 |
| Levies | 1,024,060 | 989,688 |
| Licences | 4,565,181 | 3,065,855 |
| Vehicle tracking expenses | 190,900 | 70,133 |
| Postage and courier | 159,261 | 92,761 |
| Printing and stationery | 553,026 | 636,788 |
| Free basic electricity | 1,464,569 | 1,535,090 |
| Roadworthy test | 1,099,317 | 967,750 |
| Subscriptions and membership fees | 74,798 | 42,975 |
| Subsistence and travelling | 2,785,940 | 2,768,173 |
| SALGA levies | 1,215,742 | 1,256,557 |
| Telephone and fax | 2,429,839 | 2,411,231 |
| Training | 2,862,875 | 983,080 |
| Transportation | 312,277 | 1,873,661 |
| Uniforms | 1,373,548 | 1,129,256 |
| Ward committees | 2,685,300 | 2,091,200 |
| Water | 746,578 | 576,683 |
| Workmens compensation | 510,662 | 692,513 |
| Youth programs | 1,302,671 | 1,415,288 |
| | **42,537,447** | **38,219,000** |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 42. Loss on disposal/scrappings of assets

| | 2023 | 2022 |
|---|---|---|
| Assets at cost | (7,272,471) | (1,833,952) |
| Accumulated depreciation | 4,068,092 | 1,015,083 |
| Carrying amount | (3,204,379) | (818,869) |
| Proceeds from sale of assets | 1,086,867 | - |
| **Loss on disposal/scrappings of assets** | **(2,117,512)** | **(818,869)** |

The loss on disposal or scrapping is due to 2 mayoral vehicles that were sold and the other one written-off by the insurance company. Motor grader was also written off in the 2023 financial year.

The loss on disposal or scrapping of assets is in respect of the assets that were either broken beyond repairs, lost, scrapped, obsolete, donated and written-off by insurer. The following are the circumstances that led to the loss on disposal or scraping.

Transport Assets: 2 mayoral vehicles were auctioned and the other one written-off by the insurance company. Machinery and Equipment: Motor grader and other machinery and equipment were also written off in the 2023 financial year.

Computer Equipment: majority of computer equipment were lost during the break-in at Sundumbili library.

Land and Buildings: House No 11 Robin place in Erf 339 Mandini Ext 2 were donated to Mrs SA Khumalo by the Mandeni Council.

Community Assets: Palisade fence in Macambini sports field and Sibusisiwe Hall were replaced with Clearview during the financial g year.

Infrastructure assets: various road infrastructure was derecognised during the financial year due to them being rehabilitated or de-constructed.

Intangible assets disposed or scrapped are in respect of computer software no longer used by the municipality.

### 43. Fair value adjustments

| | 2023 | 2022 |
|---|---|---|
| Investment property (Fair value model) | (15,819,500) | 3,576,500 |

The property valuations have been carried out in terms of GRAP 16 by an Independent Professional Valuer i.e. Umhlaba Geomatics. Market value has been undertaken in accordance with standards laid down by the International Valuations Standards Council. Remainder of Farm Lot 30 Inyoni No. 13890 now registered as ERF 412 Isithebe Industrial Estate has been revaluated and transferred to land under property, plant and equipment.

### 44. Auditors' remuneration

| | 2023 | 2022 |
|---|---|---|
| Fees | 2,361,186 | 1,692,387 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 45. Cash generated from operations

| | 2023 | 2022 |
|---|---|---|
| Surplus | 65,370,942 | 80,931,267 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 30,160,938 | 31,725,852 |
| Loss on disposal/scrappings of assets | 2,117,512 | 818,869 |
| Fair value adjustments | 15,819,500 | (3,576,500) |
| Impairment loss | 2,374,266 | 3,530,083 |
| Debt impairment | 15,022,247 | 20,429,748 |
| Movements in retirement benefit assets and liabilities | (207,741) | (798,614) |
| Other non-cash items | (661) | - |
| Donated assets income (non-cash) | (5,234,331) | (1,649,000) |
| **Changes in working capital:** | | |
| Inventories | 93,270 | 56,640 |
| Receivables from exchange transactions | (12,357,267) | (12,604,032) |
| Receivables from non-exchange transactions | (4,360,292) | (5,248,267) |
| Statutory receivables | (16,049,767) | (6,985,571) |
| Payables from exchange transactions | 12,881,595 | 352,473 |
| VAT | (1,753,104) | 4,803,960 |
| Unspent conditional grants and receipts | 17,083,836 | (21,374,287) |
| Consumer deposits | (53,389) | (20,195) |
| | **120,907,554** | **90,392,426** |

## 46. Commitments

**Authorised capital expenditure**

| | 2023 | 2022 |
|---|---|---|
| **Total capital commitments** | | |
| • Approved and contracted for | 18,978,513 | 27,221,896 |

**Total commitments**

| | 2023 | 2022 |
|---|---|---|
| Authorised capital expenditure | 18,978,513 | 27,221,896 |

**Finance leases - as lessee (expense)**

| | 2023 | 2022 |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | - | 13,719 |
| - later than five years | - | - |
| | **-** | **13,719** |

**Operating leases - as lessee (expense)**

| | 2023 | 2022 |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | - | 351,093 |

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

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

## 47. Contingencies

### Contingent assets

| Name of entity | Attorney | Rand value 2023 | Rand value 2022 | Reference |
|---|---|---|---|---|
| JD Biyela | Matthew Francis Inc. | 30,000 | 30,000 | 47.1 |

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

### Contingent liabilities

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

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

| Name of entity | Attorney | Rand value 2023 | Rand value 2022 | Reference |
|---|---|---|---|---|
| Independent Ethiopian Church of SA | TKN Incorporated | 500,000 | 800,000 | 47.2 |
| The Rate payers Association of Tugela Mouth | TKN Incorporated | 300,000 | 124,818 | 47.3 |
| MA Mthembu | Ngubane & Associates | - | 1,854,353 | 47.4 |
| TD Nxumalo | TKN Incorporated | 295,000 | 295,000 | 47.5 |
| S Khoza | TKN Incorporated | 124,818 | 124,818 | 47.6 |
| Mazibuko/Transnet | TKN Incorporated | 500,000 | 500,000 | 47.7 |
| AM Sibiya | TKN Incorporated | 1,000,000 | 1,000,000 | 47.8 |
| Amalunga Nembe & Dendewethu Taxi Association & Others | TKN Incorporated | 500,000 | 500,000 | 47.9 |
| Inkosi Lindokuhle Prince Ngcobo & Others | TKN Incorporated | 500,000 | 300,000 | 47.10 |
| MA Mthembu | TKN Incorporated | 6,148,212 | - | 47.11 |
| B Mnyandu | Bhekisisa Goqo & Co | 236,530 | - | 47.12 |
| | | **10,104,560** | **5,498,989** | |

47.2 The eviction in Court has been postponed to allow for an application for registration of a servitude which is already under way and Boshoff land surveyors in Ballito have been appointed to prepare diagrams to be used for the registration of Thokoza road servitude with the Master of the High Court in Pietermaritzburg. At year end, the matter was still pending. The matter is set down for 22 November 2023.

47.3 Rate Payers Association is demanding that the municipality implements bylaws and control the influx within the Tugela Beach. An interim Court Order was granted in 2019 but the matter is yet to be heard in detail in Court for arguments. The municipality erected some boom gates in line with the Court Order but were damaged and removed by the local community members. The municipality continues to enforce access to the beach but the Ratepayers are continuously complaining and demanding the law enforcement officials to always be present at the beach. The municipality has received a new application lodged by Tugela Mouth Ratepayers association on the same matter and it is still on pleadings stage. A notice of intention to defend the matter was served and also answering affidavit was filled and served, we are awaiting their replying affidavit.

47.4 Former Manager Special Programme referred the matter to the SALGBC alleging Unfair Dismissal. The matter launched at the Labour Court. The matter was finalised during the current financial year and no contingent liability exists at year end.

**47. Contingencies (continued)**

47.5 Attended Court on the 15th of November 2021 at the Regional Court of Empangeni to note judgement. Our application was dismissed with reserved costs pending the finalisation of our Rule 60A application to be heard on the 14th of March 2022. Rule 60A was also dismissed. The matter was heard on 23 September 2022 where the applicant admitted to having incorrectly set the matter down and incorrectly serving the municipality a Notice of set down. Court adjourned the matter sine die (case adjourned with no specific date for resumption) and further granted the municipality wasted costs for the appearance.

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

47.7 Application to demolish all illegal businesses on Thokoza road servitude set down for the 23rd of January 2023. The matter was adjourned to 23 November 2023. The matter remains pending at year end.

47.8 This matter was set down in March 2022. We then received a Notice to oppose which compelled us to remove it from the roll and await their Answering affidavit. Court days have since lapsed for them to file their answering affidavit. The matter has not been set down again and remains pending at year end.

47.9 The matter is between the MEC for Transport, Mandeni and Malunga of Nembe Dendethu Taxi Association to evict illegal Taxi Association. The matter is with the Pietermaritzburg High Court. The matter is set down for an appeal on 08 September 2023.

47.10 Application to join other respondents was granted. Attended to serving the joint respondents with all Court documents. Attending to further serving all respondents with the Court order and Notice of set down. Main application set down for the 23rd of January 2023. The matter was adjourned to 23 November 2023. However, once respondents file their affidavits the municipal attorneys intend to seek a preferential date. The matter remains pending at year end.

47.11 Notice to remove has been filed because the complaint was served and filed.

47.12 The matter is at discovery stage and it is ready for pre-trial.

**48. Related parties**

The key management remuneration is disclosed in note 31 - Employee related costs and note - 32 Remuneration of councillors.

During the year, the municipality was part of principal-agent arrangements. The terms and the monetary values are disclosed in note 61 - Accounting by principals and agents. The municipality also received a donation in the form of assets from a related party, the value of which is disclosed in note 30 - Donated assets income. All the related party transactions were at arm's length.

**49. Risk management**

**Financial risk management**

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

**Liquidity risk**

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

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

| At 30 June 2023 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| Payables from exchange transactions | 44,842,560 | - | - | - |
| Consumer deposits | 216,464 | - | - | - |

| At 30 June 2022 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| Payables from exchange transactions | 32,491,560 | - | - | - |
| Consumer deposits | 269,853 | - | - | - |

**Interest rate risk**

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

| | 2023 | 2022 |
|---|---|---|
| Investments | 244,203,556 | 203,861,901 |
| Cash and cash equivalents | 10,321,268 | 4,119,614 |
| | **254,524,824** | **207,981,515** |

**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:

| | 2023 | 2022 |
|---|---|---|
| Trade and other receivables from exchange transactions | 20,064,453 | 11,966,770 |

| Figures in Rand | 2023 | 2022 |
| --- | --- | --- |

### 50. Fruitless and wasteful expenditure

| | | |
| --- | --- | --- |
| **Reconciliation of fruitless and wasteful expenditure** | | |
| Opening balance | 613,998 | - |
| Fruitless and wasteful expenditure current year | 324,524 | 616,579 |
| Condoned or written off by Council for current year | (278,028) | (2,581) |
| **Fruitless and wasteful expenditure at year end** | **660,494** | **613,998** |

Fruitless and wasteful expenditure incurred by the municipality relates to interest charged by suppliers on late payments.

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

### 51. Irregular expenditure

| | | |
| --- | --- | --- |
| Opening balance as previously reported | 1,624,101 | 150,000 |
| Prior period adjustment | - | 22,500 |
| **Opening balance as restated** | **1,624,101** | **172,500** |
| Add: Irregular Expenditure - current | 13,259,669 | 14,834,312 |
| Less: Amount written off - current | (12,967,876) | (13,210,211) |
| Less: Amount written off - prior period | (1,624,101) | (172,500) |
| **Closing balance** | **291,793** | **1,624,101** |

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

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

### 52. Unauthorised expenditure

| | | |
| --- | --- | --- |
| Opening balance | - | - |
| Add: Expenditure identified - current | 6,242,581 | - |
| **Closing balance** | **6,242,581** | **-** |

Unauthorised expenditure incurred of R6,242,581 is due to Bulk Purchases which is due to electricity demand by Umngeni Water.

No unauthorised expenditure was incurred in the prior year.

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
| --- | --- | --- |

## 53. Additional disclosure in terms of Municipal Finance Management Act

**Contributions to organised local government**

| | | |
| --- | --- | --- |
| Current year subscription / fee | 1,215,742 | 1,256,557 |
| Amount paid - current year | (1,215,742) | (1,256,557) |
| **Balance unpaid (included in payables)** | **-** | **-** |

**Material losses through electricity distribution**

| | | |
| --- | --- | --- |
| Current year subscription / fee | 1,064,248 | 1,086,875 |

**Audit fees**

| | | |
| --- | --- | --- |
| Opening balance | - | - |
| Current year subscription / fee | 2,361,186 | 1,692,387 |
| Amount paid - current year | (2,361,186) | (1,692,387) |
| **Balance unpaid (included in payables)** | **-** | **-** |

**PAYE and UIF**

| | | |
| --- | --- | --- |
| Opening balance | - | - |
| Current year subscription / fee | 21,134,950 | 19,469,666 |
| Amount paid - current year | (21,134,950) | (19,469,666) |
| **Balance unpaid (included in payables)** | **-** | **-** |

**Pension and Medical Aid Deductions**

| | | |
| --- | --- | --- |
| Opening balance | - | - |
| Current year subscription / fee | 17,230,699 | 15,976,214 |
| Amount paid - current year | (17,230,699) | (15,976,214) |
| **Balance unpaid (included in payables)** | **-** | **-** |

**VAT**

| | | |
| --- | --- | --- |
| VAT receivable | 3,542,099 | 1,788,995 |

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

**Councillors' arrear consumer accounts**

The following Councillors had arrear accounts outstanding at 30 June 2023:

| | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|---|---|---|---|
| Cllr NR Dludla | 649 | 12,370 | 13,019 |
| Cllr NS Ncube | 752 | 14,411 | 15,163 |
| Cllr LS Zungu | 981 | 77,235 | 78,216 |
| Cllr NO Dladla | 195 | - | 195 |
| Cllr MB Ngidi | 838 | 49,203 | 50,041 |
| Cllr BA Khumalo | 1,765 | 12,108 | 13,873 |
| Cllr BA Mchunu | 1,734 | 30,783 | 32,517 |
| Cllr LS Mthembu | 195 | - | 195 |
| Cllr SP Naicker | 351 | 1,579 | 1,930 |
| Cllr MT Ncanana | 663 | 2,866 | 3,529 |
| | **8,123** | **200,555** | **208,678** |

| 30 June 2022 | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|---|---|---|---|
| Cllr N Nxumalo | 403 | 8,337 | 8,740 |
| Cllr NS Ncube | 499 | 11,382 | 11,881 |
| Cllr LS Zungu | 618 | 73,417 | 74,035 |
| Cllr NO Dladla | 435 | 401 | 836 |
| Cllr MB Ngidi | 526 | 45,939 | 46,465 |
| Cllr BA Khumalo | 1,485 | 14,639 | 16,124 |
| Cllr BA Mchunu | 3,062 | 21,371 | 24,433 |
| Cllr LS Mthembu | 74 | - | 74 |
| Cllr SP Naicker | 334 | 860 | 1,194 |
| Cllr MT Ncanana | 444 | 3,574 | 4,018 |
| | **7,880** | **179,920** | **187,800** |

### 54. Deviation from supply chain management regulations

Contract awards made in terms of Section 36(1) of the SCM policy amounted to R1,068,359. Details of the awards are summarised in the below table:

| **Categories of SCM Regulations** | **SCM Reg reference** | **Number of cases** | **% of Total cases** | **Value (R)** | **% of Rand Value** |
|---|---|---|---|---|---|
| In an emergency | 36(1)(a)(i) | - | - | - | - |
| Services are available from a single provider | 36(1)(a)(ii) | 18 | 86 | 963,259 | 90 |
| In any other exceptional case where it is impractical or impossible to follow the official procurement processes | 36(1)(a)(v) | 2 | 9 | 89,100 | 8 |
| To ratify any minor breaches of the procurement process by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature | | 1 | 5 | 16,000 | 2 |
| | | **21** | **100** | **1,068,359** | **100** |

# Notes to the Annual Financial Statements

## 55. Budget differences

### Material differences between budget and actual amounts

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

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

| | Budget | Actual | Variance | % Variance | References |
|---|---|---|---|---|---|
| Service charges | 44,327,205 | 61,433,607 | 17,106,402 | 39 % | 55.1 |
| Property rates | 48,880,813 | 51,761,585 | 2,880,772 | 6 % | |
| Interest earned on property rates | 2,831,075 | 2,627,819 | (203,256) | (7)% | |
| Interest earned on service charges | 915,989 | 1,228,720 | 312,731 | 34 % | 55.2 |
| Investment revenue | 19,200,000 | 20,010,444 | 810,444 | 4 % | |
| Transfers recognised - operational | 223,289,200 | 221,749,301 | (1,539,899) | (1)% | |
| Transfers recognised - capital | 55,425,800 | 41,510,900 | (13,914,900) | (25)% | 55.3 |
| Other own revenue | 4,879,567 | 10,722,991 | 5,843,424 | 120 % | 55.4 |
| | **399,749,649** | **411,045,367** | **11,295,718** | | |
| Employee related costs | (121,829,954) | (116,925,166) | 4,904,788 | (4)% | |
| Remuneration of councillors | (14,681,872) | (14,325,359) | 356,513 | (2)% | |
| Depreciation and asset impairment | (33,746,817) | (32,535,204) | 1,211,613 | (4)% | |
| Finance charges | (3,407,870) | (3,322,630) | 85,240 | (3)% | |
| Debt impairment | (35,797,595) | (15,022,247) | 20,775,348 | (58)% | 55.5 |
| Bulk purchases | (39,050,012) | (45,292,594) | (6,242,582) | 16 % | 55.6 |
| Inventory consumed | (5,093,454) | (4,371,235) | 722,219 | (14)% | 55.7 |
| Other expenditure | (118,145,547) | (112,623,433) | 5,522,114 | (5)% | |
| | **27,996,528** | **66,627,499** | **38,630,971** | | |

55.1 During the year under review property usage reconciliation was performed with an intention of linking the correct tariff to a correct property and it was discovered that certain properties needed to be linked for Refuse collection as a result of subdivisions and new discoveries. This then resulted in an increase of refuse collection revenue.

55.2 The Electricity Revenue exceeded the budget due to the expansion of Umngeni Water Plant. The plant increased its water generating capacity to circumvent the Hezelmere Dam shortfalls which came as a result of the KZN April 2022 floods which resulted in a serious destruction of the Bulk Water Infrastructure particularly in Ethekwini and the Southern part of KwaDukuza. As expected, the increase in the demand for the generation and subsequent transmission resulted in a rapid increase of electricity consumption. Consequently, the Municipal Electricity Revenue then followed the same upsurge resulting in the over performance of the initially recognised budget.

55.3 The actual amount is less than the budgeted amount. This variance is due to Disaster Relief Grant that was received by the municipality in April 2023, conditions of the grant have not been met and grant will rollover to the next financial year as per agreement with transferring department.

55.4 The actual amount is more than the budgeted amount. This is due to assets that were donated to the municipality by Enterprise ILEMBE (ECD) towards Mandeni Youth Enterprise.

55.5 The actual debt impairment is less than the budgeted amount. The variance is due to the fact that less debt was written off than previously anticipated.

55.6 The Electricity Revenue exceeded the budget due to the expansion of Umngeni Water Plant. The plant increased its water generating capacity to circumvent the Hezelmere Dam shortfalls which came as a result of the KZN April 2022 floods which resulted in a serious destruction of the Bulk Water Infrastructure particularly in Ethekwini and the Southern part of KwaDukuza. As expected, the increase in the demand for the generation and subsequent transmission resulted in a rapid increase of electricity consumption. Consequently, the Municipal Electricity Revenue then followed the same upsurge resulting in the over performance of the initially recognised budget.

# Notes to the Annual Financial Statements

**55. Budget differences (continued)**

55.7 The actual inventory consumed is less than the budgeted amount. This variance is due to less inventory being issued than anticipated.

**56. MFMA disclosure on SCM Regulation 45**

| Supplier name | Employee name | Employee capacity | 2023 | 2022 |
|---|---|---|---|---|
| Sodube Sotobe | NT Sibiya | Public Participation and OSS Officer | 39,300 | 57,893 |
| Fana Manufacturing | N Reddy | Prosecutor - Verulam Magistrate Court | 762,289 | 973,064 |
| Mecom Trading Enterprise | M Msweli | Accountant - Receipting and Deposit | - | 94,542 |
| Mzimela Legacy | PZ Sibisi | LED Manager | 60,300 | 3,850 |
| Conlog Pty Ltd | N Moodley | Director - KZN Department of Health | 2,487,308 | 1,574,523 |
| Fire and Resq Zone Pty Ltd | Not stated | City of Tswane Metro | - | 489,000 |
| Adapt IT Pty Ltd | D Mbambo | Operation Maintenance Manager- SANRAL | 168,466 | 167,736 |
| Taurus Hydraulics and Eng Pty Ltd | T Ramlall | PMS Clerk | 1,380,882 | - |
| Tasveer Trading | S Jwalapursad | Registry Clerk | 41,696 | - |
| | | | **4,940,241** | **3,360,608** |

**57. Events after the reporting date**

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

**58. Impact of COVID-19**

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

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

No material information has come to the attention of management to suggest that there is a going concern issue due to the pandemic. The Annual Financial Statements for the year ended 30 June 2023 have been prepared under the going concern assumption.

The information below indicates the total COVID-19 expenditure for the 2022 financial year:

| | | |
|---|---|---|
| National: Equitable share - COVID-19 grant | - | 20,015,145 |

**Details of COVID-19 expenditure**

| | | |
|---|---|---|
| **Summary per category** | | |
| **National: Equitable share - COVID-19 grant** | | |
| Technical Services | - | 17,984,476 |
| Community Services | - | 2,030,669 |
| | **-** | **20,015,145** |

### 59. Prior-year adjustments

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

Correction of errors

Receivables from exchange transactions and SALGA levies

In the previous financial years, prepayments of SALGA levies were incorrectly recognised. This resulted in prepayments being understated and SALGA levies being understated. The error was corrected retrospectively.

Receivables from exchange transactions and licences

In the previous year, prepayments relating to licences were incorrectly accounted for. This resulted in prepayments being understated and licences being overstated. The error was corrected retrospectively.

Reclassifications

Certain comparative figures have been reclassified.

Other income and government grants

In the previous year, LGSETA was recognised as government grants instead of other income. This amount was recognised as other income in the current year due to the nature of the income.

Interest income - Service charges, Interest income - Property rates and Property rates - penalties imposed

Interest on service charges and property rates was previously disclosed as property rates - penalties imposed. In the current year the interest is disclosed separately.

Inventory consumed and general expenses

In the previous year inventory consumed was included in general expenses. Due to the nature of the expense the inventory consumed was disclosed separately in the statement of financial performance in the current financial year.

Contracted services and general expenses

Certain general expenses were previously included in contracted services in the previous financial years. Due to the nature of such expenses, they were disclosed as part of general expenses in the current financial year.

**Statement of financial position**

**2022**

| | Note | As previously reported | Correction of error | Reclassification | Restated |
|---|---|---|---|---|---|
| Receivables from exchange transactions | | 10,338,769 | 1,628,001 | - | 11,966,770 |
| Accumulated surplus | | (750,273,090) | (1,628,001) | - | (751,901,091) |
| | | **(739,934,321)** | **-** | **-** | **(739,934,321)** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 59. Prior-year adjustments (continued)

### Statement of financial performance

**2022**

| | Note | As previously reported | Correction of error | Reclassification | Restated |
|---|---|---|---|---|---|
| Other income | | 825,358 | - | 227,603 | 1,052,961 |
| Government grants | | 263,840,085 | - | (227,603) | 263,612,482 |
| Interest income - service charges | | - | - | 1,058,661 | 1,058,661 |
| Interest income - property rates | | - | - | 2,328,532 | 2,328,532 |
| Property rates - penalties imposed | | 3,387,193 | - | (3,387,193) | - |
| Inventory consumed | | - | - | (1,423,755) | (1,423,755) |
| Contracted services | | (55,937,748) | - | 5,944,018 | (49,993,730) |
| General expenses | | (34,070,180) | 371,443 | (4,520,263) | (38,219,000) |
| **Surplus for the year** | | **178,044,708** | **371,443** | **-** | **178,416,151** |

## 60. Change in estimate

### Property, plant and equipment

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

| | Old Estimate | New Estimate | Increase /(Decrease) in Depreciation |
|---|---|---|---|
| Depreciation: Current year | 4,966,722 | 1,214,731 | (3,751,991) |
| Depreciation: Future years | - | 3,751,991 | 3,751,991 |
| | **4,966,722** | **4,966,722** | **-** |

### Intangible assets

In the beginning of the financial year the municipality reviewed remaining useful lives of certain items of Intangible Assets. The remaining useful lives were re-assessed based at the beginning of the financial year based on the expected useful lives of those assets. The  useful lives of Intangible assets were initially estimated at 3 years. For the Intangible Assets the remaining useful lives were estimated to be between 3 and 6 years. This is considered a change in accounting estimates and the effect is treated respectively.

| | Old Estimate | New Estimate | Increase /(Decrease) in Depreciation |
|---|---|---|---|
| Depreciation: Current year | 65,681 | 27,292 | (38,389) |
| Depreciation: Future years | 65,681 | 104,070 | 38,389 |
| | **131,362** | **131,362** | **-** |

# Notes to the Annual Financial Statements



## 61. Accounting by principals and agents

The municipality is a party to principal-agent arrangements.

**Details of the arrangements**

INEP grant - Schedule 5B Electrification Project

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

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

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

**Housing Title Deed grant - Title Deeds**

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

**USDG Urban Settlement Development Grant**

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

Massification grant - Schedule 5B Electrification Project Mandeni

Municipality acts as an agent assisting Eskom with the Schedule 5B Electrification Project. The municipality is therefore acting as an agent and Eskom is the principal. The funding has been allocated by Provincial COGTA to accelerate the electrification of households within Mandeni.

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

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

### 61. Accounting by principals and agents (continued)

**Entity as agent**

**Grants received**

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

| | 2023 | 2022 |
|---|---|---|
| **INEP Grant** | | |
| Balance unspent at beginning of year | 2,874,432 | 2,039,230 |
| Current-year receipts | 7,200,000 | 4,872,000 |
| Conditions met | (6,575,675) | (1,997,568) |
| Rolled over amounts/Funds withheld by National Treasury | (2,874,432) | (2,039,230) |
| **Unspent grant at year end** | **624,325** | **2,874,432** |

| | 2023 | 2022 |
|---|---|---|
| **Housing Title Deed grant** | | |
| Balance unspent at beginning of year | 5,772,607 | 6,206,810 |
| Conditions met | - | (434,203) |
| Grant repayments | (982,810) | - |
| **Unspent grant at year end** | **4,789,797** | **5,772,607** |

| | 2023 | 2022 |
|---|---|---|
| **USDG Urban Settlement Development Grant** | | |
| Balance unspent at beginning of year | - | - |
| Current-year receipts | - | 50,633,456 |
| Conditions met | - | (50,633,456) |
| **Unspent grant at year end** | **-** | **-** |

| | 2023 | 2022 |
|---|---|---|
| **Massification Grant** | | |
| Balance unspent at beginning of year | - | - |
| Current-year receipts | 5,000,000 | - |
| Conditions met | (239,347) | - |
| **Unspent grant at year end** | **4,760,653** | **-** |

**62. Segment information**

**General information**

**Identification of segments**

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

**Types of goods and/or services by segment**

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

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

**Reporting on segment assets and liabilities**

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

**Information about geographical areas**

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

Measurement of specific segment information

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

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

### 62. Segment information (continued)

**Segment surplus or deficit**

**2023**

| | Executive & Council | Finance & Administration | Planning & Development | Roads & Infrastructure | Community & Social Services | Energy Sources | Waste Management | Public Safety | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue from exchange transactions** | | | | | | | | | |
| Service charges | - | - | - | - | - | 49,863,633 | 11,569,974 | - | 61,433,607 |
| Rental of facilities and equipment | - | - | 36,378 | 105,941 | 211,702 | - | - | - | 354,021 |
| Interest income - service charges | - | - | - | - | - | 104,134 | 1,124,586 | - | 1,228,720 |
| Licences and permits | - | - | 22,494 | - | - | - | - | 524,513 | 547,007 |
| Other income | - | 2,482,401 | 529,323 | - | 73,765 | 95,354 | - | 405,805 | 3,586,648 |
| Interest received | - | 20,010,444 | - | - | - | - | - | - | 20,010,444 |
| **Other non-operating gains** | | | | | | | | | |
| Fair value adjustments | - | - | - | - | - | - | - | - | - |
| **Revenue from non-exchange transactions** | | | | | | | | | |
| Property rates | - | 51,761,585 | - | - | - | - | - | - | 51,761,585 |
| Government grants and subsidies | 7,806,000 | 206,862,432 | 1,000,000 | 41,510,900 | 6,080,000 | - | - | - | 263,259,332 |
| Donations received | - | 5,234,331 | - | - | - | - | - | - | 5,234,331 |
| Fines | - | - | - | - | 553 | - | - | 1,001,300 | 1,001,853 |
| Interest income - property rates | - | 2,627,819 | - | - | - | - | - | - | 2,627,819 |
| **Municipality's revenue** | **7,806,000** | **288,979,012** | **1,588,195** | **41,616,841** | **6,366,020** | **50,063,121** | **12,694,560** | **1,931,618** | **411,045,367** |

### 62. Segment information (continued)

| | Executive & Council | Finance & Administration | Planning & Development | Roads & Infrastructure | Community & Social Services | Energy Sources | Waste Management | Public Safety | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Expenditure** | | | | | | | | | |
| Employee costs | (17,501,830) | (29,106,516) | (10,297,198) | (19,134,232) | (23,966,250) | (2,738,223) | (5,512,878) | (8,668,039) | (116,925,166) |
| Remuneration of councillors | (14,325,359) | - | - | - | - | - | - | - | (14,325,359) |
| Depreciation and amortisation | - | (30,160,938) | - | - | - | - | - | - | (30,160,938) |
| Impairment losses | - | (2,374,266) | - | - | - | - | - | - | (2,374,266) |
| Finance costs | - | (3,322,630) | - | - | - | - | - | - | (3,322,630) |
| Lease rentals | - | (1,175,012) | - | - | - | - | - | - | (1,175,012) |
| Debt impairment | - | (15,022,247) | - | - | - | - | - | - | (15,022,247) |
| Contracted services | (8,926,155) | (7,874,053) | (1,807,697) | (12,058,321) | (20,453,144) | (1,186,651) | (3,093,588) | - | (55,399,609) |
| Inventory consumed | (388,037) | (78,204) | (2,742,002) | (14,343) | (1,148,649) | - | - | - | (4,371,235) |
| Operational costs | (12,766,552) | (23,790,580) | (406,695) | (1,339,567) | (845,660) | (3,194,238) | (35,284) | (158,871) | (42,537,447) |
| Bulk purchases | - | - | - | - | - | (45,292,594) | - | - | (45,292,594) |
| Loss on disposal of assets | - | (2,117,512) | - | - | - | - | - | - | (2,117,512) |
| Actuarial gains/losses | - | 3,169,090 | - | - | - | - | - | - | 3,169,090 |
| Fair value adjustments | - | (15,819,500) | - | - | - | - | - | - | (15,819,500) |
| **Total segment expenditure** | **(53,907,933)** | **(127,672,368)** | **(15,253,592)** | **(32,546,463)** | **(46,413,703)** | **(52,411,706)** | **(8,641,750)** | **(8,826,910)** | **(345,674,425)** |
| **Total segmental surplus/(deficit)** | **(46,101,933)** | **161,306,644** | **(13,665,397)** | **9,070,378** | **(40,047,683)** | **(2,348,585)** | **4,052,810** | **(6,895,292)** | **65,370,942** |

### 62. Segment information (continued)

**2022**

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

### 62. Segment information (continued)

| | Executive & Council | Finance & Administration | Planning & Development | Roads & Infrastructure | Community & Social Services | Energy Sources | Waste Management | Public Safety | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Expenditure** | | | | | | | | | |
| Employee costs | (11,924,818) | (19,616,157) | (10,087,840) | (18,259,296) | (31,345,135) | (3,069,148) | (5,276,509) | (9,540,947) | (109,119,850) |
| Remuneration of councillors | (13,797,605) | - | - | - | - | - | - | - | (13,797,605) |
| Depreciation and amortisation | - | (31,725,852) | - | - | - | - | - | - | (31,725,852) |
| Impairment losses | - | (3,530,083) | - | - | - | - | - | - | (3,530,083) |
| Finance costs | - | (2,656,611) | - | - | - | - | - | - | (2,656,611) |
| Lease rentals | - | (1,450,248) | - | - | - | - | - | - | (1,450,248) |
| Debt impairment | - | (20,429,748) | - | - | - | - | - | - | (20,429,748) |
| Contracted services | (7,232,762) | (6,565,704) | (1,219,603) | (15,975,367) | (19,622,083) | (2,250,765) | (2,898,833) | (172,631) | (55,937,748) |
| Operational costs | (7,641,451) | (15,017,884) | (1,396,448) | (1,327,461) | (3,359,393) | (2,803,853) | (1,925,823) | (226,424) | (33,698,737) |
| Bulk purchases | - | - | - | - | - | (36,574,524) | - | - | (36,574,524) |
| Loss on disposal of assets | - | (818,869) | - | - | - | - | - | - | (818,869) |
| **Total segment expenditure** | **(40,596,636)** | **(101,811,156)** | **(12,703,891)** | **(35,562,124)** | **(54,326,611)** | **(44,698,290)** | **(10,101,165)** | **(9,940,002)** | **(309,739,875)** |
| **Total segmental surplus/(deficit)** | **(32,790,636)** | **169,477,153** | **(12,566,935)** | **8,386,983** | **(45,857,691)** | **1,335,331** | **716,959** | **(7,769,897)** | **80,931,267** |

### 63. Going concern

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