

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

**AUDITOR GENERAL  
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30 NOV 2022

Name:.....

Signature:.....

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

**General Information**

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**Legal form of entity**

Local Municipality

**Nature of business and principal activities**

Mhlontlo Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998) The municipality's operations are governed by:- Municipal Finance Management act 56 of 2003- Municipal Structure Act 117 of 1998- Municipal Systems Act 32 of 2000 and various other acts and regulations

**Mayer**

Cllr M.G. Jara (Elected in November 2021)  
Cllr N. Dywili (Term ended in November 2021)

**Speaker**

Cllr E. Pula (Elected in November 2021)  
Cllr M.G. Jara (Term ended in November 2021)

**Chief Whip**

Cllr N. Goaba (Elected in November 2021)  
Cllr N.M. Mvanyasha (Term ended in November 2021)

**Executive Councillors**

Cllr L. Yalazo (Elected in November 2021)  
Cllr L. Dlova (Elected in November 2021)  
Cllr S. Voko (Elected in November 2021)  
Cllr N. Seyili (Elected in November 2021)  
Cllr S. Kahla (Elected in November 2021)  
Cllr N.M. Mvanyasha (Elected in November 2021)  
Cllr S. Matshoba (Elected in November 2021)  
Cllr M. Funo (Elected in November 2021)  
Cllr N. Zikolo (Elected in November 2021)

**PR Councillors**

Cllr M.R. Glyose (Elected in November 2021)  
Cllr V.G. Mazfshana (Elected in November 2021)  
Cllr Z. Makhana (Elected in November 2021)  
Cllr N. Mbunjana (Elected in November 2021)  
Cllr B. Rasimani (Elected in November 2021)  
Cllr B. Madikida (Elected in November 2021)  
Cllr N. Walaza (Elected in November 2021)  
Cllr Z. Nondaka (Elected in November 2021)  
Cllr K. Jubasa (Elected in November 2021)  
Cllr M. Libazi (Elected in November 2021)  
Cllr K. Mputa (Elected in November 2021)  
Cllr B. Roel (Elected in November 2021)  
Cllr L. Boyana (Elected in November 2021)  
Cllr S. Bontea (Elected in November 2021)  
Cllr N. Tiwari (Elected in November 2021)

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# Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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### Councillors

Cllr S. Mngcotana (Ward 1) (Elected in November 2021)  
Cllr N. Ranga (Ward 2) (Elected in November 2021)  
Cllr S. Mbola (Ward 3) (Elected in November 2021)  
Cllr S. Sophangisa (Ward 4) (Elected in November 2021)  
Cllr M. Vunguvungu (Ward 5) (Elected in November 2021)  
Cllr T.S. Guga (Ward 7) (Elected in November 2021)  
Cllr V. Nododana (Ward 8) (Elected in November 2021)  
Cllr A. Nombewu (Ward 9) (Elected in November 2021)  
Cllr S. Mivazi (Ward 10) (Elected in November 2021)  
Cllr S. Ntuzumlezi (Ward 12) (Elected in November 2021)  
Cllr T. Tlshana (Ward 13) (Elected in November 2021)  
Cllr B. Gigi (Ward 14) (Elected in November 2021)  
Cllr Z. Renane (Ward 15) (Elected in November 2021)  
Cllr B. Mthshane (Ward 16) (Elected in November 2021)  
Cllr M.P. Bontas (Ward 17) (Elected in November 2021)  
Cllr T. Magugu (Ward 18) (Elected in November 2021)  
Cllr M. Jikjela (Ward 19) (Elected in November 2021)  
Cllr M. Mlamela (Ward 20) (Elected in November 2021)  
Cllr Khemtshe (Ward 21) (Elected in November 2021)  
Cllr S.M. Hlanti (Ward 22) (Elected in November 2021)  
Cllr M. Khonza (Ward 23) (Elected in November 2021)  
Cllr B. Ntamo (Ward 24) (Elected in November 2021)  
Cllr N.V. Ncapayi (Ward 25) (Elected in November 2021)  
Cllr C. Mapebulu (Ward 26) (Elected in November 2021)  
Cllr. M. Ncaphayi (Ward 1) (Term ended in November 2021)  
Cllr. M.D. Manzi (Ward 2) (Term ended in November 2021)  
Cllr. T. Mgaweni (Ward 3) (Term ended in November 2021)  
Cllr. S.S. Sopangisa (Ward 4) (Term ended in November 2021)  
Cllr. M. Lingala (Ward 5) (Term ended in November 2021)  
Cllr. Z. Botya (Ward 6) (Term ended in November 2021)  
Cllr. Z. Ntshiba (Ward 7) (Term ended in November 2021)  
Cllr. N. Gcaba (Ward 8) (Term ended in November 2021)  
Cllr. B. Honono (Ward 9) (Term ended in November 2021)  
Cllr. P. Mdirwa (Ward 10) (Term ended in November 2021)  
Cllr. L.P. Dlova (Ward 11) (Term ended in November 2021)  
Cllr. S. Ntuzumlezi (Ward 12) (Term ended in November 2021)  
Cllr. Z. W Nondaka (Ward 13) (Term ended in November 2021)  
Cllr. Z. Makinana (Ward 14) (Term ended in November 2021)  
Cllr. Z. Renane (Ward 15) (Term ended in November 2021)  
Cllr. B.B. Mthshane (Ward 16) (Term ended in November 2021)  
Cllr. M. Soyakwa (Ward 17) (Term ended in November 2021)  
Cllr. M.N. Mphelisi (Ward 18) (Term ended in November 2021)  
Cllr. M.S. Ngweni (Ward 19) (Term ended in November 2021)  
Cllr. M. Mlamela (Ward 20) (Term ended in November 2021)  
Cllr. M.S. Mathe (Ward 21) (Term ended in November 2021)  
Cllr. P.N. Mdemka (Ward 22) (Term ended in November 2021)  
Cllr. Q. Mandleni (Ward 23) (Term ended in November 2021)  
Cllr. S. Maham (Ward 24) (Term ended in November 2021)  
Cllr. N.V. Ncapayi (Ward 25) (Term ended in November 2021)  
Cllr. E.N. Sibwatshe (Ward 26) (Term ended in November 2021)

### Traditional leaders

Nkosi Tyhali  
Nkosi Madolo

### Grading of local authority

3

### Chief Finance Officer (CFO)

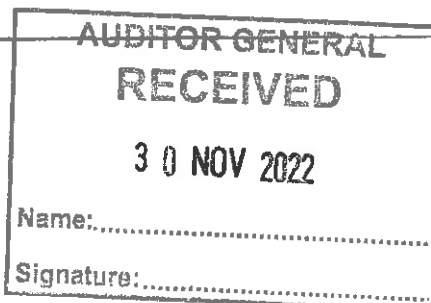
N. Boti

### Acting Accounting Officer

L. Ndabeni

### Registered office

98 LG Mabindla Avenue  
Qumbu



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

**General Information**

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<b>Business address</b>	5180 96 LG Mabindla Avenue Qumbu 5180
<b>Postal address</b>	5180 Qumbu 5180
<b>Bankers</b>	First National Bank - QUMBU
<b>Auditors</b>	Auditor General South Africa
<b>Contact details</b>	(043) 553 7000

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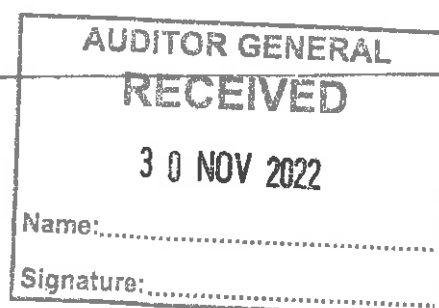
**Mhlontlo Local Municipality**  
Annual Financial Statements for the year ended 30 June 2022

**Index**

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

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<b>COID</b>	<b>Compensation for Occupational Injuries and Diseases</b>
<b>CRR</b>	<b>Capital Replacement Reserve</b>
<b>GRAP</b>	<b>Generally Recognised Accounting Practice</b>
<b>HDF</b>	<b>Housing Development Fund</b>
<b>IAS</b>	<b>International Accounting Standards</b>
<b>IPSAS</b>	<b>International Public Sector Accounting Standards</b>
<b>MEC</b>	<b>Member of the Executive Council</b>
<b>MFMA</b>	<b>Municipal Finance Management Act</b>
<b>MIG</b>	<b>Municipal Infrastructure Grant (Previously CMIP)</b>
<b>VAT</b>	<b>Value Added Tax</b>
<b>PAYE</b>	<b>Pay As You Earn</b>
<b>SDL</b>	<b>Skills Development Levy</b>
<b>UIF</b>	<b>Unemployment Insurance Fund</b>
<b>LED</b>	<b>Local Economic Development</b>
<b>EPWP</b>	<b>Expanded Public Works Programme</b>
<b>INEP</b>	<b>Integrated National Electrification Programme</b>
<b>DEDEAT</b>	<b>Department of Economic Development, Environmental Affairs and Tourism</b>



# Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Responsibilities and Approval

I am required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and I am responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is my responsibility as 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 (GRAP) and the MFMA including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

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

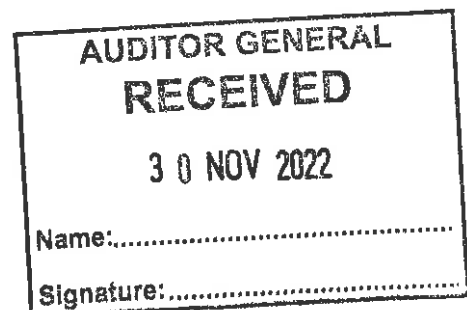
The municipality is dependent on National Treasury for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the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

Although the management is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 6 to 71, which have been prepared on the going concern basis, were signed by the Accounting Officer on 28 November 2022.

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L. Ndabeni  
Acting Municipal Manager

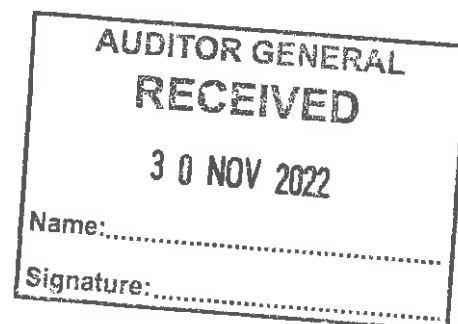


# Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

Restated	Note(s)	2022	2021 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	3	312 455	165 807
Receivables from non-exchange transactions	4	2 684 934	1 984 494
VAT receivable	5	13 475 233	7 824 108
Cash and cash equivalents	6	172 629 766	169 332 520
		<u>189 102 388</u>	<u>178 397 929</u>
<b>Non-Current Assets</b>			
Investment property	7	5 982 621	5 982 621
Property, plant and equipment	8	528 263 798	613 756 452
Intangible assets	9	157 238	322 155
Heritage assets	10	-	210 810
		<u>836 403 657</u>	<u>820 272 038</u>
<b>Total Assets</b>		<b>724 906 045</b>	<b>698 669 967</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	11	18 534 023	11 739 741
Employee benefit obligation	12	15 318 813	14 669 948
Unspent conditional grants and receipts	13	18 832 858	15 000
		<u>53 485 694</u>	<u>26 424 689</u>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	12	6 485 941	6 184 404
Provisions	14	4 929 019	4 213 535
		<u>11 394 960</u>	<u>10 397 939</u>
<b>Total Liabilities</b>		<b>64 878 654</b>	<b>36 822 628</b>
<b>Net Assets</b>		<b>659 806 367</b>	<b>662 846 439</b>
<b>Accumulated surplus</b>		<b>659 806 367</b>	<b>662 846 439</b>



\* See Note 33

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

**Statement of Financial Performance**

Restated	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	15	2 031 988	1 810 647
Rental of facilities and equipment		24 034	22 302
Agency services		1 248 428	1 237 602
Licences and permits		1 430 771	1 502 889
Other income	16	120 610	127 788
Interest earned - Investments	17	5 274 488	3 573 442
<b>Total revenue from exchange transactions</b>		<b>10 130 198</b>	<b>8 274 830</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	18	33 276 037	31 081 989
<b>Transfer revenue</b>			
Government grants & subsidies	19	271 854 877	291 095 701
Fines		831 765	1 377 838
Commission received		272 031	310 988
<b>Total revenue from non-exchange transactions</b>		<b>306 236 710</b>	<b>323 876 294</b>
<b>Total revenue</b>	<b>39</b>	<b>318 366 908</b>	<b>332 151 124</b>
<b>Expenditure</b>			
Employee related costs	20	(88 687 637)	(85 640 588)
Remuneration of councillors	21	(20 360 806)	(20 027 083)
Depreciation and amortisation	22	(47 307 888)	(49 964 298)
Impairments loss		(10 430 671)	(2 277 687)
Finance costs	23	(550 685)	(527 451)
Lease rentals on operating lease		(1 002 798)	(980 089)
Debt Impairment	24	(13 743 028)	(8 838 950)
Contracted services	25	(8 471 087)	(8 954 506)
Loss on disposal of assets		(1 917 749)	(1 776 888)
Actuarial losses		(342 938)	(120 304)
Movement in (interest)/change in estimate on Landfill Site		(715 484)	(1 490 484)
General Expenses	26	(125 856 003)	(73 143 295)
<b>Total expenditure</b>		<b>(319 408 980)</b>	<b>(283 741 583)</b>
<b>(Deficit) surplus for the year</b>		<b>(3 040 072)</b>	<b>78 409 541</b>

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\* See Note 33



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

**Statement of Changes in Net Assets**

<b>Restated</b>	<b>Accumulated surplus</b>	<b>Total net assets</b>
Opening balance as previously reported	600 082 274	600 082 274
Adjustments		
Prior year adjustments	(15 645 376)	(15 645 376)
Balance at 01 July 2020 as restated*	584 436 898	584 436 898
Changes in net assets		
Surplus for the year	78 409 541	78 409 541
Total changes	78 409 541	78 409 541
Restated* Balance at 01 July 2021	662 846 439	662 846 439
Changes in net assets		
Surplus for the year	(3 040 072)	(3 040 072)
Total changes	(3 040 072)	(3 040 072)
Balance at 30 June 2022	659 806 367	659 806 367
Note(s)		

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**Mhlontlo Local Municipality**  
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**Cash Flow Statement**

Restated	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates taxes		20 117 863	23 010 082
Service charges		782 705	685 773
Grants		281 472 733	290 441 770
Interest income		5 274 489	3 573 442
Other receipts		3 095 772	4 579 365
		<u>320 743 662</u>	<u>322 290 442</u>
<b>Payments</b>			
Employee costs		(106 645 804)	(104 900 173)
Suppliers		(138 576 581)	(86 682 420)
		<u>(245 222 385)</u>	<u>(191 582 593)</u>
<b>Net cash flows from operating activities</b>	28	<u>75 521 277</u>	<u>130 707 849</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(73 847 656)	(81 065 657)
Proceeds from sale of property, plant and equipment	8	1 623 425	286 058
Purchase of other intangible assets	9	-	(338 261)
<b>Net cash flows from investing activities</b>		<u>(72 224 231)</u>	<u>(61 118 060)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>3 297 046</u>	<u>69 589 789</u>
<b>Cash and cash equivalents at the beginning of the year</b>		<u>169 332 520</u>	<u>99 742 731</u>
<b>Cash and cash equivalents at the end of the year</b>	5	<u>172 629 566</u>	<u>169 332 520</u>

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\* See Note 33

# Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Restated						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	1 810 218	189 429	1 999 648	2 031 888	32 320	41.1
Rental of facilities and equipment	14 088	10 123	24 221	24 034	(187)	41.2
Agency services	1 585 441	(408 670)	1 186 871	1 248 426	61 555	41.3
Licences and permits	1 429 519	(110 477)	1 319 042	1 430 771	111 729	41.4
Other income	25 989	76 705	102 674	120 510	17 836	41.5
Interest received - investment and debtors	3 281 408	1 474 075	4 755 483	6 274 489	539 006	41.8
<b>Total revenue from exchange transactions</b>	<b>8 106 654</b>	<b>1 231 285</b>	<b>9 337 939</b>	<b>10 130 198</b>	<b>792 259</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	24 474 139	8 629 780	33 103 919	33 278 037	174 118	41.7
<b>Transfer revenue</b>						
Government grants & subsidies	208 751 850	(89 333)	208 712 517	271 854 877	63 142 360	41.8
Fines, Penalties and Forfeits	72 300	52 447	124 747	831 785	707 018	41.10
<b>Total revenue from non-exchange transactions</b>	<b>233 296 289</b>	<b>8 642 894</b>	<b>241 941 183</b>	<b>305 984 679</b>	<b>64 023 496</b>	
<b>Total revenue</b>	<b>241 404 943</b>	<b>9 874 179</b>	<b>251 279 122</b>	<b>316 094 877</b>	<b>64 815 755</b>	
<b>Expenditure</b>						
Personnel	(83 254 539)	(4 917 912)	(88 172 451)	(88 887 837)	(915 186)	41.12
Remuneration of councillors	(19 077 045)	(4 981 318)	(24 038 363)	(20 380 806)	3 657 457	41.13
Depreciation and amortisation	(50 811 059)	2 087 529	(48 543 530)	(47 307 886)	1 235 544	41.14
Impairment loss/ Reversal of impairments	-	-	-	(10 430 671)	(10 430 671)	41.15
Finance costs	-	-	-	(550 695)	(550 695)	41.16
Lease rentals on operating lease	-	-	-	(1 002 796)	(1 002 796)	41.17
Debt Impairment	(17 800 000)	9 800 000	(8 200 000)	(13 743 028)	(5 543 028)	41.18
Contracted Services	(46 820 000)	1 006 000	(45 618 000)	(8 471 087)	37 143 913	41.19
General Expenses	(78 989 678)	(26 071 519)	(103 061 197)	(125 856 003)	(22 794 806)	41.20
<b>Total expenditure</b>	<b>(294 382 321)</b>	<b>(23 278 220)</b>	<b>(317 630 541)</b>	<b>(316 450 809)</b>	<b>1 180 732</b>	
<b>Operating deficit</b>	<b>(52 947 378)</b>	<b>(13 404 041)</b>	<b>(66 351 419)</b>	<b>(335 932)</b>	<b>66 015 487</b>	
Loss on disposal of assets	-	1 498 000	1 498 000	(1 917 749)	(3 413 749)	41.21
Actuarial gains/losses	-	-	-	(342 838)	(342 838)	41.22
Movement in (Interest)/change in estimate on Landfill Site	-	-	-	(715 484)	(715 484)	41.23
	-	1 498 000	1 498 000	(2 976 171)	(4 472 171)	
<b>Deficit before taxation</b>	<b>(52 947 378)</b>	<b>(11 906 041)</b>	<b>(64 855 419)</b>	<b>(3 312 103)</b>	<b>61 543 316</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(52 947 378)</b>	<b>(11 906 041)</b>	<b>(64 855 419)</b>	<b>(3 312 103)</b>	<b>61 543 316</b>	

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

**Statement of Comparison of Budget and Actual Amounts**

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Restated						

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# Mhiontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Restated						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Receivables from exchange transactions				312 455	312 455	41.25
Receivables from non-exchange transactions	11 020 311	1 664 204	12 684 515	2 694 834	(9 999 681)	41.26
VAT receivable	22 223 414	(9 135 733)	13 087 681	13 475 233	387 552	41.27
Cash and cash equivalents	74 574 627	31 819 156	106 493 783	172 629 766	66 135 983	41.28
	107 818 352	24 347 627	132 265 979	189 102 388	56 836 409	
<b>Non-Current Assets</b>						
Investment property	17 158 600	(11 175 979)	6 982 621	5 982 621	-	41.29
Property, plant and equipment	545 100 052	42 829 636	588 029 688	529 263 798	(58 765 890)	41.30
Intangible assets	(1 827 000)	(84 000)	(1 911 000)	157 238	2 068 238	41.31
Heritage assets	211 000	-	211 000	-	(211 000)	41.32
	560 542 652	31 669 667	592 212 319	535 403 657	(56 808 662)	
<b>Total Assets</b>	<b>668 561 004</b>	<b>56 017 294</b>	<b>724 578 288</b>	<b>724 506 045</b>	<b>(72 243)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	(24 003 182)	24 932 058	928 876	16 534 023	17 605 147	41.33
Employee benefit obligation				15 316 813	15 316 813	41.34
Unspent conditional grants and receipts				19 632 856	19 632 856	41.35
	(24 003 182)	24 932 058	928 876	51 483 692	52 554 816	
<b>Non-Current Liabilities</b>						
Employee benefit obligation				6 465 941	6 465 941	41.36
Provisions	58 254 000	(33 186 000)	25 068 000	4 929 019	(20 138 981)	41.39
	58 254 000	(33 186 000)	25 068 000	11 394 960	(13 673 040)	
<b>Total Liabilities</b>	<b>84 250 818</b>	<b>(8 253 942)</b>	<b>25 996 876</b>	<b>64 878 652</b>	<b>38 881 776</b>	
<b>Net Assets</b>	<b>634 310 186</b>	<b>64 271 226</b>	<b>698 581 412</b>	<b>659 627 393</b>	<b>(38 954 019)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	634 310 186	64 271 226	698 581 412	659 627 393	(38 954 019)	All above

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

**Statement of Comparison of Budget and Actual Amounts**

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	-----------------	-------------	--------------	------------------------------------	--	-----------

Restated

**Cash Flow Statement**

**Cash flows from operating activities**

<b>Receipts</b>						
Property rates taxes	12 482 000	4 401 000	18 883 000	20 117 963	3 234 963	41.40
Service charges	923 000	97 000	1 020 000	782 705	(237 295)	41.41
Grants - Capital and Operating	269 299 000	22 261 000	291 560 000	291 472 733	(87 267)	41.42
Other revenue/receipts	3 261 000	1 474 000	4 735 000	5 274 489	539 489	41.44
	<b>285 965 000</b>	<b>28 233 000</b>	<b>314 198 000</b>	<b>317 647 890</b>	<b>3 449 890</b>	

**Payments**

Employee costs and suppliers	-	(233 310 000)	(233 310 000)	(245 223 185)	(11 913 185)	41.46
Net cash flows from operating activities	<b>285 965 000</b>	<b>(205 077 000)</b>	<b>80 888 000</b>	<b>72 424 705</b>	<b>(8 463 295)</b>	

**Cash flows from investing activities**

Purchase of property, plant and equipment	(20 633 000)	(99 797 000)	(120 330 000)	(73 847 659)	46 482 344	41.50
Net increase/(decrease) in cash and cash equivalents	<b>265 432 000</b>	<b>(304 874 000)</b>	<b>(39 442 000)</b>	<b>3 297 246</b>	<b>38 019 049</b>	All above
Cash and cash equivalents at the beginning of the year	<b>99 743 000</b>	<b>69 486 000</b>	<b>169 229 000</b>	<b>169 332 520</b>	<b>103 520</b>	41.52
Cash and cash equivalents at the end of the year	<b>365 175 000</b>	<b>(235 388 000)</b>	<b>129 787 000</b>	<b>172 629 766</b>	<b>38 122 569</b>	

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# Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

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, except for the changes set out in note 32 Changes in accounting policy.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern.

#### 1.3 Significant judgements and sources of estimation uncertainty

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

##### Trade receivables / Held to maturity investments and/or loans and receivables

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

The impairment for receivables is calculated on a individual 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 assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

##### Provisions

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

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## Accounting Policies

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

#### Allowance for doubtful debts

The impairment of consumer debtors and other trade receivables exists predominantly due to the possibility that these debts will not be recovered. Receivables were assessed individually where applicable at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment. In determining this allowance estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile. The impairment is calculated by calculating historic payments ratios for the individual assets and by assuming that the future payment ratios would be similar to the historic payment ratios. In determining the recoverability of receivables from non-exchange and receivables from exchange transactions the municipality considers any change in the credit quality of the debtor from the date that credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of debtors impairment.

#### 1.4 Investment property

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.

#### 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.

#### 1.5 Property, plant and equipment

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

Property, plant and equipment is initially measured at cost.

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, its deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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**Accounting Policies**

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
<b>Infrastructure:</b>		
Roads, paving, kerbs, slabs, gabions, signs, guard rails	Straight line	10-60 years
Stormwater, culverts, grid inlets	Straight line	10-50 years
Electrical, LV Networks, High Mast Lights, Street Lights	Straight line	30-40 years
Bridges	Straight line	50-80 years
<b>Community:</b>		
Recreational facilities etc	Straight line	10-50 years
Cemeteries, perimeter protection, security	Straight line	20-25 years
Halls, steel cover, protections	Straight line	10-50 years
Libraries, footpaths, diesel tanks etc	Straight line	10-50 years
Centres, slabs, containers, plastics	Straight line	15-50 years
<b>Other property, plant and equipment:</b>		
Vehicles, trucks, buses, tractors, trailers	Straight line	4-15 years
Machinery and equipment	Straight line	5-7 years
Furniture and office equipment	Straight line	4-8 years
Computer equipment, printers, machines	Straight line	4-8 years
Landfill sites	Straight line	10-50 years
Land	Not depreciated	Not depreciated
<b>Buildings:</b>		
Municipal offices, training centres, motor gates	Straight line	10-50 years

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

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

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

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

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

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# Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

### 1.6 Intangible assets

An intangible asset is recognised when:

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

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

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

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

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	Depreciation method	Average useful life
Computer software and other	Straight line	3-6 years

### 1.7 Heritage assets

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

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# Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.7 Heritage assets (continued)

#### Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

### 1.8 Financial instruments

#### Classification

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
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and Cash equivalents	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) 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

#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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# Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.8 Financial Instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

### 1.9 Statutory receivables

#### Identification

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

#### Impairment losses

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

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

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

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

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.

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# Mhlonlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

### 1.9 Statutory receivables (continued)

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

#### Derecognition

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

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

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

### 1.10 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.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

#### 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.

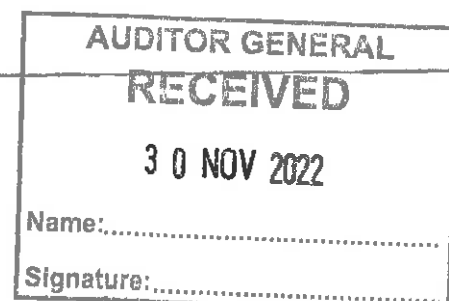
### 1.11 Impairment of cash-generating assets

#### 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.



## **Accounting Policies**

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

#### **Value in use**

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

#### **Recognition and measurement (individual asset)**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

#### **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.

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.

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**Accounting Policies**

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**1.12 Impairment of non-cash-generating assets**

**Identification**

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

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

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

**Recognition and measurement**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

**Reversal of an impairment loss**

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

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

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

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

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

**1.13 Employee benefits**

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

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

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

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# Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

### 1.13 Employee benefits (continued)

Termination benefits are employee benefits payable as a result of either:  
an entity's decision to terminate an employee's employment before the normal retirement date; or  
an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

#### Short-term employee benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises 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 municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

The entity 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: Defined contribution plans

When an employee has rendered service to the municipality during a reporting period, the municipality 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, a municipality recognises 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.

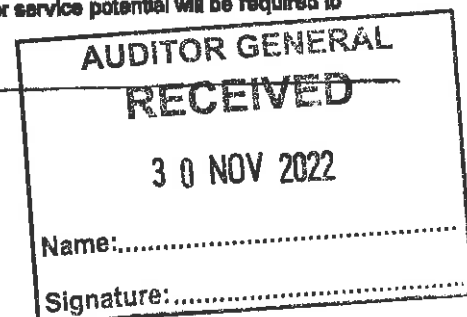
Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial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

### 1.14 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

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.





# Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

### 1.14 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an municipality:

has a detailed formal plan for the restructuring, identifying at least:

- the activity/operating unit or part of an activity/operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented;

and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

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

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

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

### 1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

At the end of each financial period the Municipality determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed in the commitments note to the financial statements.

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

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# Mhiontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

### 1.15 Commitments (continued)

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.

### 1.16 Revenue from exchange transactions

#### Measurement

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

#### Rendering of services

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

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

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

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

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

#### Interest

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

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

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

### 1.17 Revenue from non-exchange transactions

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

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

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

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

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

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## **Accounting Policies**

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### **1.17 Revenue from non-exchange transactions (continued)**

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

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

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

#### **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.

#### **Fines**

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

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

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

### **1.18 Comparative figures**

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

### **1.19 Unauthorised expenditure**

Unauthorised expenditure is defined in section 1 of the MFMA as expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- 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 in bullet points 2, 3 and 4 of the definition of "allocation" otherwise than in accordance with any conditions of allocation; or
- a grant by the municipality otherwise than in accordance with this Act.

All expenditure relating to unauthorised expenditure must be disclosed in the note to the annual financial statements.

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**Accounting Policies**

**1.20 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as expenditure that was made in vain and would have been evoked had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure must be disclosed in the note to the annual financial statements.

**1.21 Irregular expenditure**

Irregular expenditure is defined in section 1 of the MFMA as follows:

- (a) expenditure incurred by the municipality in contravention of, or not in accordance with, a requirement of this Act, and has not been condoned in terms section 170;
- (b) expenditure incurred by the municipality in contravention of, or not in accordance with a requirement of the municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by the municipality in contravention of, or that is not in accordance with a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by the municipality in contravention of, or not in accordance with, a requirement of supply chain management policy of the municipality, or any municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure"

Irregular expenditure is recognised when a payment is made.

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

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

**1.22 Budget Information**

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

**1.23 Related parties**

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

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

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

**Notes to the Annual Financial Statements**

Restated	2022	2021
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**2. New standards and interpretations**

**2.1 Standards and Interpretations issued, but not yet effective**

Standard/ interpretation:	Effective date: Years beginning on or after	Expected impact
GRAP 104 (amended): Financial Instruments	April 1, 2025	Unlikely there will be a material impact
GRAP 1 (amended): Presentation of Financial Statements	April 1, 2023	Unlikely there will be a material impact
GRAP 103 (amended): Heritage assets	April 1, 2023	Unlikely there will be a material impact
GRAP 26: Employee Benefits	April 1, 2023	Unlikely there will be a material impact
IGRAP 7: Limited on a defined Benefit asset min fund requirement and interest	April 1, 2023	Unlikely there will be a material impact
IGRAP 21: The effect on past decisions on materiality	April 1, 2025	Unlikely there will be a material impact

**3. Receivables from exchange transactions**

Refuse Removal Allowance for Impairment	12 834 028 (12 621 573)	11 471 948 (11 316 041)
	<b>312 455</b>	<b>155 907</b>
<b>Refuse</b>		
Current (0-30 days)	301 682	6 130
31 - 60 days	144 524	145 834
61 - 90 days	142 881	136 684
91 - 365 days	12 244 931	11 180 300
Impairment	(12 821 573)	(11 316 041)
	<b>312 455</b>	<b>155 907</b>
<b>Summary of debtors by customer classification: Consumers</b>		
Current (0-30 days)	182 405	2 781
31 - 60 days	94 297	92 505
61 - 90 days	94 099	90 972
91 - 120 days	93 778	90 418
121 - 365 days	9 126 305	8 222 423
	<b>9 600 885</b>	<b>8 498 080</b>

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

**Notes to the Annual Financial Statements**

Restated	2022	2021
<b>3. Receivables from exchange transactions (continued)</b>		
<b>Industrial/Commercial</b>		
Current (0 - 30 days)	80 215	1 583
31 - 60 days	36 782	39 425
61 - 90 days	36 826	35 318
91 - 120 days	36 153	34 787
121 - 365 days	2 162 688	2 077 684
	<u>2 352 464</u>	<u>2 188 787</u>
<b>National and provincial government</b>		
Current (0 - 30 days)	29 072	1 808
31 - 60 days	13 446	13 904
61 - 90 days	12 167	13 394
91 - 120 days	11 780	13 394
121 - 365 days	814 246	741 583
	<u>880 679</u>	<u>784 081</u>
<b>Total</b>		
Current (0 - 30 days)	301 693	6 130
31 - 60 days	144 624	145 634
61 - 90 days	142 681	139 684
91 - 120 days	141 683	138 610
121 - 365 days	12 103 237	11 041 680
Less: Allowance for impairment	<u>(12 621 573)</u>	<u>(11 316 041)</u>
	<u>312 455</u>	<u>165 087</u>
<b>Reconciliation of allowance for impairment</b>		
Opening balance	11 316 041	10 223 327
Provision for impairment	1 295 532	1 092 714
	<u>12 621 573</u>	<u>11 316 041</u>

No debtors have been pledged as a collateral.

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

**Notes to the Annual Financial Statements**

Restated	2022	2021
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**4. Receivables from non-exchange transactions**

Consumer debtors - Rates	61 549 132	48 568 736
Sundry debtors	2 430 782	2 173 242
Allowance for Impairment - Rates	(59 364 549)	(47 108 874)
Allowance for Impairment - Sundry debtors	(1 630 431)	(1 648 810)
	<b>2 684 934</b>	<b>1 984 484</b>

<b>Rates</b>		
Current (0 - 30 days)	917 399	862 877
31 - 60 days	429 007	659 096
61 - 90 days	426 909	6 375 585
91 - 120 days	422 993	668 404
121 - 365 days	59 352 824	39 802 794
Less: Impairment	(59 364 549)	(47 108 874)
	<b>2 184 583</b>	<b>1 459 862</b>

<b>Summary of debtors by customer classification: Consumers</b>		
Current (0 - 30 days)	556 770	327 618
31 - 60 days	263 034	289 605
61 - 90 days	261 256	283 782
91 - 120 days	258 762	277 944
121 - 365 days	17 633 321	15 209 152
	<b>18 972 133</b>	<b>16 398 101</b>

**Industrial/Commercial**

Current (0 - 30 days)	352 996	97 356
31 - 60 days	182 879	566 677
61 - 90 days	182 358	135 015
91 - 120 days	180 847	134 769
121 - 365 days	19 838 150	15 931 837
	<b>20 677 130</b>	<b>16 865 674</b>

**National and provincial government**

Current (0 - 30 days)	8 633	437 903
31 - 60 days	3 295	2 814
61 - 90 days	3 295	5 956 768
91 - 120 days	3 295	255 671
121 - 365 days	22 381 702	8 661 805
	<b>22 400 220</b>	<b>15 314 961</b>

**Total**

Current (0 - 30 days)	917 399	862 877
31 - 60 days	429 007	659 096
61 - 90 days	426 909	6 375 585
91 - 120 days	422 993	668 404
120 - 365 days	59 352 824	39 802 794
Less: Impairment	(59 364 549)	(47 108 874)
	<b>2 184 583</b>	<b>1 459 862</b>

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Annual Financial Statements for the year ended 30 June 2022

**Notes to the Annual Financial Statements**

	2022	2021
Restated		

**4. Receivables from non-exchange transactions (continued)**

**Sundry debtors**

	2 325 541	2 068 001
Traffic fines	105 242	105 242
Payroll debtors	(1 930 431)	(1 648 610)
Less: Impairment	<u>600 352</u>	<u>524 633</u>

**Reconciliation of allowance for impairment - Rates**

Opening balance	47 108 874	40 345 705
Provision for impairment	<u>12 255 875</u>	<u>8 763 169</u>
	69 364 549	49 108 874

No debtors have been pledged as a collateral.

**5. VAT receivable**

13 475 233	<u>7 824 108</u>
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**VAT**

An amount of R15 281 212,88 has been received in the current year and therefore recoverability of the amount receivable from SARS is not remote.

**6. Cash and cash equivalents**

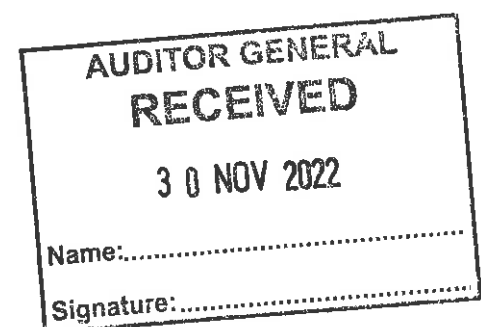
Cash and cash equivalents consist of:

Cash on hand	1 678	2 587
Bank balances	5 200 095	8 904 353
Short-term deposits	185 283 508	180 309 389
Other cash and cash equivalents	2 144 485	116 181
	<u>172 628 766</u>	<u>169 332 520</u>

**Cash and cash equivalents pledged as collateral**

135 000	135 000
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**Bank guarantee pledges/ceded**





# Mhiontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Restated

2022

2021

### 6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
FNB - Business Call account Revolving Fund - 81389088117	141 571 382	133 042 884	88 508 561	141 571 382	133 042 884	88 509 561
FNB - Business NSTD Call: Equitable share - 82027945809	717 837	23 583 420	8 148	717 837	23 582 420	8 148
FNB - Public Sector Cheque - Gqunu Lots - 62020395390	558 985	563 319	584 759	558 985	563 319	584 759
FNB - Public Cheque Account - MIG: 62170844221	19 752 745	144 880	12 520 308	19 752 745	144 880	12 520 308
FNB Commercial Money Market Investment: FMG - 62280841244	14 769	9 982	58 474	14 769	9 982	58 474
FNB - Commercial Call Account LED- 62075571713	1 197 449	1 187 773	1 187 977	1 197 449	1 197 773	1 197 977
FNB - 7 day Interest Plus: 7 day Notice - 74388814834	-	10 000	10 000	-	10 000	10 000
FNB - Commercial Call Account: Municipal IDP - 62077570157	188 414	1 014 358	1 481 563	188 414	1 014 358	1 014 358
FNB - Commercial Money Market Investment: Housing Project - 62280845345	734 531	734 855	736 077	734 531	734 855	734 077
FNB - Money Market Investment: MSIG - 62280842416	8 624	8 948	9 170	8 625	8 948	9 170
FNB - Maturity Notice - Electrification program: 74638477254	427 285	-	-	427 285	-	-
FNB - Public Sector Cheque Account - 62023382526	5 005 175	8 801 497	14 540 556	5 200 095	8 804 353	14 656 878
FNB Public sector Cheque account - COVID-19: 6285080162	-	8 854	9 883	-	8 654	9 883
FNB - Public sector Cheque account - DOT: 62869888817	2 243 570	107 527	-	2 243 570	107 527	-
<b>Total</b>	<b>172 421 766</b>	<b>169 228 078</b>	<b>99 823 476</b>	<b>172 818 687</b>	<b>169 329 934</b>	<b>99 291 592</b>

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Annual Financial Statements for the year ended 30 June 2022

**Notes to the Annual Financial Statements**

	2022	2021
Restated		

**7. Investment property**

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	5 982 621	-	5 982 621	5 982 621	-	5 982 621

**Reconciliation of investment property - 2022**

	Opening balance	Total
Investment property	5 982 621	5 982 621

**Reconciliation of investment property - 2021**

	Opening balance	Disposals	Total
Investment property	6 041 821	(59 000)	5 982 621

A register containing the information required by section 62 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. No properties have been pledged as securities.

**Details of valuation**

Valuations were performed by an independent valuer not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use. These assumptions are based on current market conditions.

There is no fair value adjustment in the value of properties in the current year 2021/22. The independent valuer is DB Grobler.

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

**Notes to the Annual Financial Statements**

**Revalued**

**8. Property, plant and equipment**

	2022		2021	
	Cost	Accumulated depreciation and impairment	Carrying value	Cost
			Carrying value	Accumulated depreciation and impairment
Land	14 065 591	-	14 065 591	14 065 591
Buildings	66 310 925	(16 243 075)	50 067 850	27 483 877
Strategic assets	3 294 733	(153 161)	3 141 572	3 294 733
Infrastructure	1 331 408 122	(1 090 524 483)	250 884 639	1 316 196 244
Community	59 567 282	(28 342 931)	30 224 351	57 576 367
Other property, plant and equipment	37 802 141	(14 461 823)	23 350 318	36 067 484
Work in progress	152 597 120	-	152 597 120	141 316 452
Landfill Site	8 883 712	(3 741 355)	4 942 357	8 883 712
<b>Total</b>	<b>1 673 720 626</b>	<b>(1 144 456 828)</b>	<b>529 263 798</b>	<b>1 604 684 460</b>
			<b>(1 080 928 088)</b>	<b>513 756 452</b>

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

**Notes to the Annual Financial Statements**

Restated

**8. Property, plant and equipment (continued)**

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

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	14 065 591	-	-	39 827 048	(1 172 414)	(598 286)	14 065 591
Buildings	13 011 484	-	-	-	(51 007)	-	50 087 850
Strategic asset	3 192 579	-	-	18 700 948	(42 319 503)	(5 026 134)	3 141 572
Infrastructure	282 105 821	-	(576 483)	3 713 063	(1 528 151)	(3 337 738)	250 884 839
Community	31 549 949	5 772 004	(171 762)	-	(1 831 869)	(1 314 983)	30 224 351
Other assets	23 307 265	70 511 717	(2 582 109)	(59 241 049)	(239 136)	(25 819)	23 350 318
Work-in-progress	141 316 452	76 283 721	(9 330 364)	-	(47 143 068)	(10 302 942)	152 587 120
Landfill site	5 207 311	-	-	-	-	-	4 942 357
	<b>513 756 452</b>	<b>76 283 721</b>	<b>(9 330 364)</b>	<b>-</b>	<b>(47 143 068)</b>	<b>(10 302 942)</b>	<b>529 263 798</b>

**Reconciliation of property, plant and equipment - 2021**

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	14 065 591	-	-	-	(769 120)	-	14 065 591
Buildings	13 808 562	-	(27 858)	-	(51 007)	-	13 011 484
Strategic asset	3 243 586	-	-	27 374 797	(45 282 149)	(2 048 031)	3 192 579
Infrastructure	303 287 287	158 000	(1 226 083)	449 500	(1 518 148)	-	282 105 821
Community	32 493 584	4 514 386	(30 967)	(28 430 384)	(2 079 498)	(228 105)	31 549 949
Other assets	21 820 387	56 396 707	(718 915)	608 087	(221 553)	(551)	23 307 265
Work-in-progress	113 351 129	61 066 103	(2 003 923)	-	(49 921 475)	(2 277 687)	141 316 452
Landfill Site	4 523 328	-	-	-	-	-	5 207 311
	<b>506 993 494</b>	<b>61 066 103</b>	<b>(2 003 923)</b>	<b>-</b>	<b>(49 921 475)</b>	<b>(2 277 687)</b>	<b>513 756 452</b>

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# Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Restated	2022	2021
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### 8. Property, plant and equipment (continued)

#### Strategic asset

##### Property 1

Mhlontlo Local Municipality owns Transkei property and the property is held as a strategic asset as it is used to assist the economy of Mhlontlo area by providing SMME's with a place to do business.

- Purchase price: 1 December 2008

3 294 733	3 294 733
-----------	-----------

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

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

Project 2 or Class 2 or Asset 2

Start Date:19 November 2018

Completion date:29 November 2019

Revised completion date: 31st August 2021

Challenges were experienced with the old contractor which resulted in the termination of the contract. A new contractor was appointed in October 2020 to finish the project.

17 021 958	17 021 958
------------	------------

Project 3 or Class 3 or Asset 3

Start Date:26 October 2018

Original Completion date:23rd February 2019

Revised Completion date: Not applicable

The contract has been terminated in the current year March 2021 due to poor performance by the contractor.

No impairment has been recognised in relation to this project. The assessment was done and even though this project was stopped, there is still a plan to continue with the project. A contractor was due to be appointed during the third quarter of 2021/22 financial year, however it was not appointed due to tendering process that was stopped by the minister of finance.

17 781 127	17 781 127
------------	------------

Project 4 or Class 4 or Asset 4

Start Date:30 August 2017

Original Completion date:23rd February 2019

Revised Completion date: 30 October 2021

The project was delayed by the EIA process, approval of the variation order, escalation of costs of items that were purchased prior and poor performance by the service provider.

32 694 790	29 169 731
------------	------------

67 497 875	63 972 816
------------	------------

#### Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Buildings	Total
Opening balance	38 471 845	104 844 607	141 316 452
Additions/capital expenditure	38 907 002	31 604 716	70 511 717
Transferred to completed items	(17 798 348)	(41 444 701)	(59 241 049)
	57 582 499	95 004 621	152 587 120

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

**Notes to the Annual Financial Statements**

	2022	2021
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Restated

**8. Property, plant and equipment (continued)**

**Reconciliation of Work-in-Progress 2021**

	Included within Infrastructure	Included within Buildings	Total
Opening balance	29 129 848	84 221 281	113 351 129
Additions/capital expenditure	34 716 794	21 678 913	56 395 707
Transferred to completed items	(27 374 798)	(1 055 586)	(28 430 384)
	<u>36 471 844</u>	<u>104 844 608</u>	<u>141 316 452</u>

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment  
included in Statement of Financial Performance  
Repairs and maintenance

21 502 986      7 801 215

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. No properties have been pledged as securities.

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

**Notes to the Annual Financial Statements**

Restated

8. Intangible assets

	2022	2021
Cost / Valuation	2 192 215	2 192 215
Accumulated amortisation and accumulated impairment	(2 034 877)	(1 870 060)
Carrying value	157 238	322 155

Computer software, other

Reconciliation of intangible assets - 2022

Opening balance	Additions	Amortisation and impairment	Total
322 155	338 290	(164 917)	157 238

Computer software, other

Reconciliation of intangible assets - 2021

Opening balance	Additions	Amortisation	Total
26 650	338 290	(42 755)	322 155

Computer software, other

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**Mhlontlo Local Municipality**  
 Annual Financial Statements for the year ended 30 June 2022  
**Notes to the Annual Financial Statements**

Restated

10. Heritage assets

	2022	2021
Cost / Valuation	210 810	210 810
Accumulated Carrying value		
Impairment losses		
Accumulated Carrying value		
Impairment losses		
Cost / Valuation	210 810	210 810
Accumulated Carrying value		
Impairment losses		
Accumulated Carrying value		
Impairment losses		
Total	210 810	210 810

Heritage assets

Reconciliation of heritage assets 2022

Opening balance	210 810	Disposals	(210 810)	Total

Heritage assets

Reconciliation of heritage assets 2021

Opening balance	210 810	Disposals	(210 810)	Total

Heritage assets

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

**Notes to the Annual Financial Statements**

Restated	2022	2021
<b>11. Payables from exchange transactions</b>		
Trade payables	7 188 902	2 423 722
Retention	8 541 393	4 059 333
Payments received in advance	1 420 510	2 522 844
Unallocated deposits	1 239 634	1 222 695
Third Parties/Payroll Debtors	(441 297)	147 882
Creditor Accruals	2 293 353	1 258 642
Department of Transport	291 628	104 623
	<b>18 534 023</b>	<b>11 738 741</b>

**12. Employee benefit obligation**

**Bonuses**

Bonuses are paid out to all employees, excluding some senior managers, in the month of their birthdays each year and are based on a 13th monthly basic salary.

**Defined Benefit Plan**

**Long service awards**

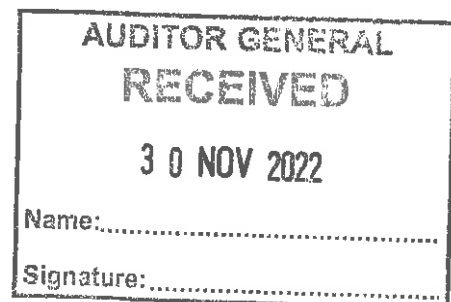
The obligation in respect of the long service awards is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2022 by One Pangeas Financial using the Projected Unit Credit Method. Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five year intervals. The service awards are paid as per the municipality's policy which complies with the minimum thresholds per the collective agreement of 01 February 2018, signed by the Bargaining Council. The basis on which this was calculated is as follows:

- After 5 Continuous Years of Service - 2% of Basic Annual Salary and 5 days accumulative leave
- After 10 Continuous Years of Service - 3% of Basic Annual Salary and 10 days accumulative leave
- After 15 Continuous Years of Service - 4% of Basic Annual Salary and 15 days accumulative leave
- After 20 Continuous Years of Service - 5% of Basic Annual Salary and 15 days accumulative leave
- After 25 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 30 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 35 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 40 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 45 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

**Current service costs**

Current service cost	654 900	402 232
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**Mhlonlo Local Municipality**  
Annual Financial Statements for the year ended 30 June 2022

**Notes to the Annual Financial Statements**

Restated	2022	2021
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**12. Employee benefit obligation (continued)**

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

Carrying value	1 533 131	1 541 223
Present value of the defined benefit obligation-wholly unfunded	12 516 686	12 764 701
Present value of the defined benefit obligation-partly or wholly funded	7 732 937	6 548 428
Fair value of plan assets	21 782 754	20 854 352
	(6 465 941)	(6 184 404)
Non-current liabilities	(15 316 813)	(14 669 948)
Current liabilities	(21 782 754)	(20 854 352)

Reconciliation of employee benefits - 2022	Opening balance	Additions	Utilised during the year	Total
Bonus accrual	1 541 223	(8 082)	-	1 533 131
Leave pay accrual	12 764 701	(2 570 084)	2 322 070	12 516 686
Long service awards	364 024	902 972	-	1 266 996
	14 669 948	(1 675 204)	2 322 070	15 316 813

Reconciliation of employee benefits - 2021	Opening balance	Additions	Utilised during the year	Total
Bonus accrual	2 086 010	124 617	(689 404)	1 541 223
Leave pay accrual	9 047 851	240 829	3 478 221	12 764 701
Long service awards	863 336	-	(499 312)	364 024
	11 997 197	365 246	2 307 505	14 669 948

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

Opening balance	6 548 428	6 146 196
Benefits paid	(364 024)	(863 336)
Net expense recognised in the statement of financial performance	1 548 533	1 285 568
	7 732 937	6 548 428

Net expense recognised in the statement of financial performance

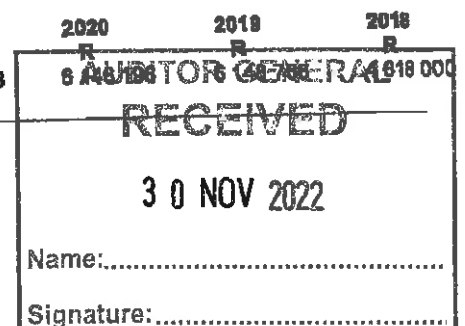
Current service cost	654 900	817 813
Past service cost	550 695	527 451
Interest cost	342 938	120 304
	1 548 533	1 265 568

**Other assumptions**

The valuation basis assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determines the bonuses payable) will be 3.15% less than the corresponding discount rate in the long term.  
The effect of one percent increase or decrease in salary inflation rates is as follows:  
Cost trends rates would have the followings:

Amounts for the current and previous four years are as follows:

	2022	2021	2020	2019	2018
	R	R	R	R	R
Defined benefit obligation	7 732 937	6 548 428	6 465 941	6 184 404	14 669 948



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

**Notes to the Annual Financial Statements**

Restated	2022	2021
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**13. Unspent conditional grants and receipts**

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	19 817 856	.
MIG	15 000	15 000
LED	19 832 856	15 000

Movement during the year

Balance at the beginning of the year	15 000	668 931
Additions during the year	89 801 000	59 914 000
Income recognition during the year	(70 183 144)	(80 567 931)
	19 832 856	15 000

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

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

See note 19 for reconciliation of grants from National/Provincial Government.

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

**14. Provisions**

Reconciliation of provisions - 2022

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	4 213 535	715 484	4 929 019

Reconciliation of provisions - 2021

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	2 723 051	1 490 484	4 213 535

Environmental rehabilitation provision

The rehabilitation cost provision is for the current operational site which is evaluated each year-end to reflect the best estimate at reporting date. The site under consideration is Gumbu landfill site. The valuation was performed by A.J. Bowers from EMS Advisory. Mr Bowers is a waste management specialist and professional engineer.

Key financial assumptions used were a CPI of 5.16%, a discount rate of 10.703%. The adjustment made to the discounting rate was made due to various risks pertaining to the specific landfill site which influences the cash flows and therefore the discounting rate.

The landfill site closure provision is calculated as the net present value of future cash flows based on the expected remaining life and on the size of the area that has been used for waste removal as at 30 June 2022.

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

**Notes to the Annual Financial Statements**

	2022	2021
Restated		
<b>15. Service charges</b>		
Refuse Charges -Business	323 008	521 833
Refuse charges - Households	522 844	1 133 874
Refuse charges - Government	186 116	165 140
	<u>2 031 968</u>	<u>1 810 647</u>
<b>16. Other income</b>		
Advertising fees	77 840	74 435
Over/under deposits	18	285
Sundry income	17 287	20 241
Clearance certificates	-	40
Cemetery fees	20 583	30 862
Building plan fees	4 672	1 905
	<u>128 510</u>	<u>127 788</u>
<b>17. Interest earned - Investments</b>		
Interest revenue	5 274 489	3 573 442
Bank		
<b>18. Property rates</b>		
Rates received		
Residential	4 443 875	3 868 544
Commercial	5 101 600	4 899 888
Government	24 187 815	23 073 937
Small holdings and farms	238 528	399 893
Less: Income forgone	(671 781)	(1 348 393)
	<u>33 278 037</u>	<u>31 081 969</u>
<b>Valuations</b>		
Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.		
<b>19. Government grants and subsidies</b>		
Operating grants	200 980 000	228 867 000
Equitable share	550 000	550 000
Library Assistance	2 300 000	2 400 000
Financial Management Grant	2 521 000	1 813 082
EPWP casual workers	-	529 042
EPWP DEDEAT	161 733	120 771
Training LG SETA	206 292 733	235 289 905
Capital grants	47 041 144	43 427 000
Municipal Infrastructure Grant	18 521 000	12 398 786
Electrification program	65 562 144	55 825 796
	<u>271 854 877</u>	<u>291 095 701</u>

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

**Notes to the Annual Financial Statements**

Restated	2022	2021
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**18. Government grants and subsidies (continued)**

**Conditional and Unconditional**

Included in above are the following grants and subsidies received:

Conditional grants received	70 894 877	81 238 701
Unconditional grants received	200 980 000	228 657 000
	<b>271 854 877</b>	<b>291 085 701</b>

**Municipal Infrastructure Grant**

Current-year receipts	66 659 000	43 427 000
Conditions met - transferred to revenue	(47 041 144)	(43 427 000)
	<b>19 617 856</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 13).

**LED**

Balance unpaid at beginning of year	15 000	15 000
-------------------------------------	--------	--------

Conditions still to be met - remain liabilities (see note 13).

**Finance Management Grant**

Current-year receipts	2 300 000	2 400 000
Conditions met - transferred to revenue	(2 300 000)	(2 400 000)
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 13).

**Expanded Public Work Program**

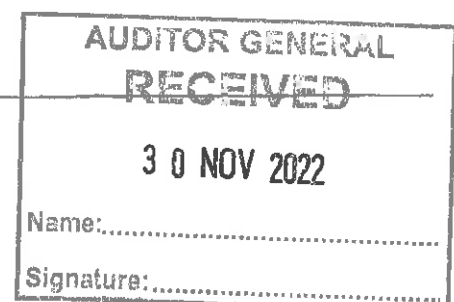
Current-year receipts	2 321 000	1 813 092
Conditions met - transferred to revenue	(2 321 000)	(1 813 092)
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 13).

**LG SETA**

Current-year receipts	161 733	120 771
Conditions met - transferred to revenue	(161 733)	(120 771)
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 13).



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

**Notes to the Annual Financial Statements**

	2022	2021
Restated		

**19. Government grants and subsidies (continued)**

**Integrated Electrification Program**

Current-year receipts	18 521 000	12 300 000
Conditions met - transferred to revenue	(18 521 000)	(12 300 000)

Conditions still to be met - remain liabilities (see note 13).

**20. Employee related costs**

Basic	51 870 577	50 125 007
Bonus	3 610 381	4 043 027
Medical aid - company contributions	5 749 231	5 602 056
UIF	458 335	377 206
SDL	909 875	875 304
Other payroll levies	22 567	20 485
Leave pay provision charge	2 074 054	823 810
Backpay	3 521	209 048
Defined contribution plans	6 701 442	6 884 028
Travel allowance	8 708 778	9 320 689
Overtime payments	1 130 807	1 095 673
Long-service awards	348 885	(163 388)
Acting allowances	9 694	83 691
Housing benefits and allowances	3 087 747	3 003 835
Allowance- standby	1 912 410	1 788 416
Temporal employees	1 580 001	978 790
Allowance -cellphone	509 532	573 012
	<b>88 687 637</b>	<b>85 640 588</b>

**Remuneration of Chief Financial Officer (N. Botl)**

Annual Remuneration	728 229	728 229
Car Allowance	254 880	254 880
Contributions to UIF, Medical and Pension Funds	2 125	1 813
Housing Allowance	56 433	55 433
	<b>1 040 667</b>	<b>1 040 355</b>

**Remuneration of director- Community Services (L. Ndabeni)**

Annual Remuneration	232 734
Car Allowance	82 515
Housing Allowance	24 684
Contributions to UIF, Medical and Pension Funds	10 733
Cellphone Allowance	12 695
Leave encashment	273 548
Acting Allowance	21 038
	<b>657 945</b>

Mr L. Ndabeni was appointed Director - Community services on the 1st February 2022.

Mr L. Ndabeni was appointed Acting Municipal Manager on the 1st June 2022.

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# Mhlonfelo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Restated	2022	2021
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### 20. Employee related costs (continued)

#### Remuneration of Director - Corporate Services (W.Zwane)

Annual Remuneration	728 229	728 229
Car Allowance	254 880	254 880
Contributions to UIF, Medical and Pension Funds	2 125	1 813
Housing allowance	55 433	55 433
	<b>1 040 667</b>	<b>1 040 355</b>

#### Remuneration of Director LEDPARD (S. Bafy)

Annual Remuneration	624 196	260 082
Car Allowance	172 115	71 714
Housing Allowance	120 000	50 000
Contributions to UIF, Medical and Pension Funds	78 091	30 772
Annual Bonus	68 680	-
Acting Allowance	66 064	-
	<b>1 129 096</b>	<b>412 568</b>

The director of LEDPARD joined the municipality in February 2021.

The director was appointed Acting Municipal Manager from February 2022 to May 2022.

#### Remuneration of Director- Infrastructure Services (Z. Petse)

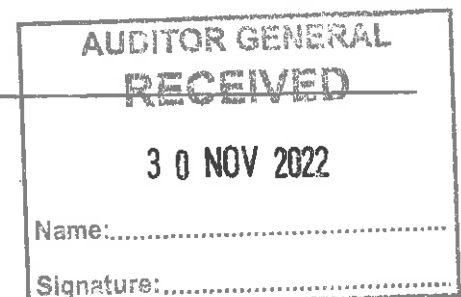
Annual Remuneration	624 196	260 082
Car Allowance	135 243	56 351
Housing Allowance	166 049	66 020
Contributions to UIF, Medical and Pension Funds	64 545	26 780
Annual Bonus	62 420	-
Acting Allowance	-	53 209
	<b>1 042 453</b>	<b>461 442</b>

The director became an ISD director from February 2021, and from September 2020 to January 2021 she was acting as the ISD Director.

#### Remuneration of director - Community Services (M.J. Yiso)

Annual Remuneration	-	485 486
Car Allowance	-	169 820
Contributions to UIF, Medical and Pension Funds	-	6 869
Skills Development levy	-	6 271
Housing allowance	-	36 866
Leave encashment	-	128 805
	-	<b>833 297</b>

The director passed away in February 2021



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

**Notes to the Annual Financial Statements**

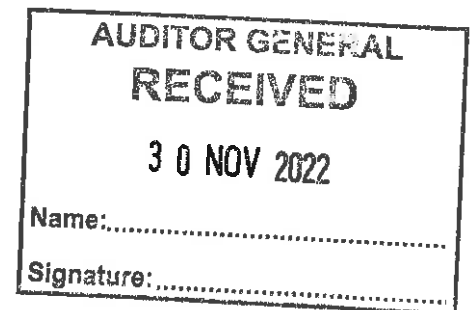
Restated	2022	2021
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**20. Employee related costs (continued)**

**Remuneration of Municipal Manager (T.P. Mase)**

Annual Remuneration	517 385	813 034
Car Allowance	128 346	203 259
Housing Allowance	36 956	58 074
Contributions to UIF, Medical and Pension Funds	1 417	1 664
Leave encashment	199 990	-
Settlement	633 633	-
	<b>1 518 627</b>	<b>1 076 031</b>

The Municipal Manager was suspended on the 30th November 2021 and later terminated on the 28 January 2022.





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

**Notes to the Annual Financial Statements**

Restated	2022	2021
<b>21. Remuneration of councillors</b>		
Mayor	866 626	805 259
Chief Whip	688 141	733 088
Executive Committee Members	4 531 344	4 290 790
Speaker	730 148	690 045
Ordinary Councillors	13 564 646	13 407 881
	<b>20 360 905</b>	<b>20 027 063</b>
Mayor	822 226	860 859
Basic Salary	40 800	40 800
Cellphone Allowance	3 600	3 600
Data Card Allowance	866 626	805 259
Speaker	513 676	484 234
Basic Salary	40 800	40 800
Cellphone Allowance	3 600	3 600
Data Card Allowance	172 172	161 411
Car Allowance	730 148	690 045
Chief Whip	482 329	516 516
Basic Salary	40 800	40 800
Cellphone Allowance	3 600	3 600
Data Card Allowance	181 411	172 172
Car Allowance	688 140	733 088
Executive committee	3 235 830	3 113 104
Basic Salary	860 200	328 400
Cellphone Allowance	30 900	28 800
Data Card Allowance	914 715	822 486
Car Allowance	4 531 346	4 290 790
Ordinary councillors	8 836 784	8 707 931
Basic Salary	1 717 000	1 621 800
Cellphone Allowance	161 800	143 100
Data Card Allowance	2 741 362	4 936 050
Car Allowance	18 000	
Backpay	13 564 646	13 407 881

Hon. Cllr M. Jara was elected Mayor after the local government elections that took place in November 2021. He replaced the outgoing Mayor Cllr N. Dywil.

Cllr E. Pule was elected Speaker after the local government elections that took place in November 2021. He replaced the outgoing Speaker Cllr M. Jara.

Cllr N. Goaba was elected Chief Whip after the local government elections that took place in November 2021. She replaced the outgoing Chief Whip Cllr M.N. Mvanyashe.

All councillors were appointed in November 2021 after the local government elections took place.

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

**Notes to the Annual Financial Statements**

Restated	2022	2021
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**21. Remuneration of councillors (continued)**

**In-kind benefits**

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

The Mayor, Speaker and Chief Whip have use of a Council owned vehicle for official duties. The Mayor has three full-time bodyguards and the Speaker has two full-time bodyguards.

The accounting officer confirms that the salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution.

**22. Depreciation and amortisation**

Property, plant and equipment	47 143 089	49 921 542
Intangible assets	164 917	42 756
	<u>47 307 986</u>	<u>49 964 298</u>

**23. Finance costs**

Interest on long service awards

<u>550 695</u>	<u>627 451</u>
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**24. Debt impairment**

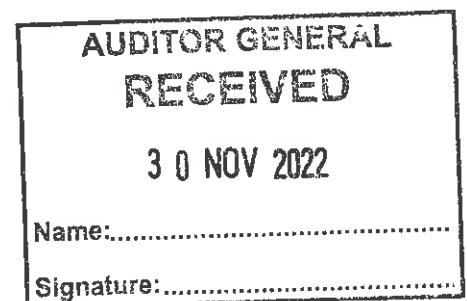
Consumer debtors and traffic fines

<u>13 743 028</u>	<u>8 638 950</u>
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**25. Contracted services**

Presented previously  
Security Services

<u>8 471 087</u>	<u>8 954 506</u>
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**Mhlonlo Local Municipality**  
Annual Financial Statements for the year ended 30 June 2022

**Notes to the Annual Financial Statements**

Restated	2022	2021
<b>26. General expenses</b>		
Advertising	410 685	520 580
Audit fees (Refer to note 27)	3 867 123	3 892 505
Bank Charges	212 618	252 824
Cleaning	197 158	937 500
Consulting and professional fees	6 843 514	3 599 889
Consumables/Cemetery tagging	813 089	1 040 772
Entertainment	2 182 582	1 394 482
Fines and penalties	8 780	33 620
Animal Feed	121 091	133 763
Hiring charges	33 130 091	3 284 407
Insurance	1 150 796	649 832
Conferences and seminars	24 000	4 500
Medical expenses	160 983	91 652
Motor vehicle expenses	298 814	335 722
Pound claims	5 745	2 319
Fuel and oil	1 756 339	1 327 894
Printing and stationery	2 573 883	3 308 264
Protective clothing	123 589	303 131
Special Projects	6 312 036	4 132 375
Repairs and maintenance	22 282 864	8 142 945
Software expenses	536 899	184 978
Staff welfare/COVID-19 related expenses	84 865	316 203
Subscriptions and membership fees	1 102 565	1 408 446
Telephone and fax	5 973 360	4 843 689
Training	1 018 887	1 588 159
Travel - local	8 114 099	2 868 702
Office expenses	38 441	14 485
Electricity purchases	2 226 725	1 987 308
Tourism development	138 050	-
Audit committee expenses	388 399	208 459
EPWP stipends	4 703 582	4 040 424
Ward committee stipend	4 315 209	6 070 799
Indigent subsidy	2 880 795	8 478 113
Venue expenses	46 358	82 488
Contribution for legal fees	11 818 890	7 808 086
Survey and Planning	205 955	193 350
	<b>125 856 003</b>	<b>73 143 295</b>
<b>27. Auditors' remuneration</b>		
Fees	3 867 123	3 892 505

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

**Notes to the Annual Financial Statements**

Restated	2022	2021
<b>28. Cash generated from operations</b>	<b>(3 040 072)</b>	<b>78 409 541</b>
(Deficit) surplus	47 307 986	49 964 298
Adjustments for:	1 917 748	1 778 966
Depreciation and amortisation	10 430 671	2 277 687
Gain on sale of assets and liabilities	13 743 028	8 838 950
Impairment deficit	828 402	767 478
Debt impairment	715 484	1 490 484
Movements in employee benefit obligations	248 015	-
Movements in provisions	342 938	-
Increase in provisions relating to employee cost		
Actuarial loss		
Changes in working capital:	(156 548)	(32 160)
Receivables from exchange transactions	(700 440)	(2 899 873)
Other receivables from non-exchange transactions	(10 282 487)	(10 806 816)
Payables from exchange transactions	(5 651 125)	9 321 566
VAT	19 617 858	(653 931)
Unspent conditional grants and receipts	-	(7 748 230)
Movement in debt impairment - receivables from non-exchange transactions	75 521 477	130 707 848

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

**Notes to the Annual Financial Statements**

Restated	2022	2021
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**28. 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**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents, 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 are amounts owed by consumers and are presented net of impairment losses. The municipality's constitutional mandate compels the municipality to provide minimum basic services to all its residents without recourse of creditworthiness.

The municipality endeavours to collect all its debts by sending monthly invoices, and levying of penalties. All rates and services accounts are payable within 30 days from invoice date.

Cash and cash equivalents consist of short term investments, the primary bank account and petty cash of the municipality. Short term investments are held at First National Bank.

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

Financial instrument	2022	2021
Cash and Cash equivalents	172 628 766	169 332 620
Receivables from exchange Transactions	312 455	156 907
Receivables from non-exchange Transactions	2 684 934	1 984 494

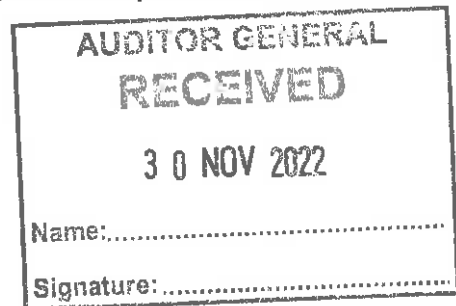
**Market risk**

**Interest rate risk**

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

**Price risk**

The municipality is not exposed to commodity price risk as it does not hold commodities on an open market platform.



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

**Notes to the Annual Financial Statements**

	2022	2021
Restated		

**30. Financial Instruments disclosure**

**Categories of financial instruments**

**2022**

**Financial assets**

	At fair value	At amortised cost	Total
Receivables from exchange transactions		312 455	312 455
Receivables from non-exchange transactions		2 684 834	2 684 834
Cash and cash equivalents	172 629 768		172 629 768
	<u>172 629 766</u>	<u>2 997 389</u>	<u>175 627 155</u>

**Financial liabilities**

	At amortised cost	Total
Trade and other payables from exchange transactions	18 534 023	18 534 023

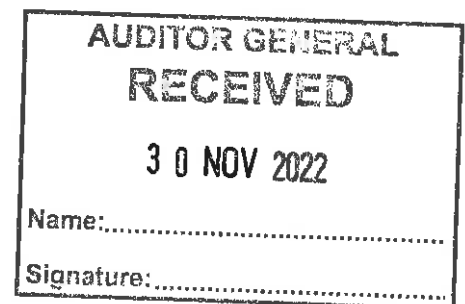
**2021**

**Financial assets**

	At fair value	At amortised cost	Total
Receivables from exchange transactions		155 907	155 907
Receivables from non-exchange transactions		1 984 494	1 984 494
Cash and cash equivalents	169 332 520		169 332 520
	<u>169 332 520</u>	<u>2 140 401</u>	<u>171 472 921</u>

**Financial liabilities**

	At amortised cost	Total
Trade and other payables from exchange transactions	11 739 740	11 739 740



# Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Restated	2022	2021
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### 31. Contingencies

49 985 854 90 952 423

#### 1. TDH Tsolo Junction//Mhlontlo Local Municipality

Claim for damages in the sum of R500 000 for damages for a failed development over erf 42 Tsolo.

#### 2. Review Application between Mhlontlo Local Municipality//Z Siquola: Labour Court Matter:

Reviewing chairman's decision for agreeing to a bargain agreement giving a light sentence in view of the seriousness of offenses which culminated into a criminal case of fraud being opened against the employee.

#### 3. Rates Collections

Rates collection in respect of all landlords and tenants in terms of the credit and debt collection policy of Mhlontlo Local Municipality. No legal case in this matter.

#### 4. One Grid Projects- Action proceedings // Mhlontlo LM, Case No.727/20 .

The Plaintiff is suing the municipality for the breach of contract. Estimated legal cost R1 000 000.

#### 5. One Grid Projects- Application proceedings// Mhlontlo LM, Case No.1727/20

The applicant is declaring the award of tender No. MIG/GS/EC/12532/15/18 and or the resultant contract unlawful, unconstitutional, invalid, null and void. Estimated legal cost R1 000 000.

#### 6. One Grid Projects- Counter Application proceedings // Mhlontlo LM, Case No.727/20

The Plaintiff is claiming the money that was paid to the Respondent for the work that has been done. The total value for the specified work. The litigation relates to a contract that was terminated by the municipality on the grounds that it was awarded irregular. The municipality is being sued for amount of R27 878 372,95. Estimated legal cost R500 000.

#### 7. Mhlontlo encroachments

This is an application for illegal encroachment of the land of the municipality. The occupant does not have the title deeds. Estimated legal cost R500 000.

#### 8. Pumzile Nomfenga // Mhlontlo Local Municipality, Case No.2851/2018

The municipality is sued for the breach of contract. The amount sued is R871 771,56. Estimated legal cost R500 000.

#### 9. Mhlontlo Local Municipality // Malibongwe Mfobo & Others, Case No.1997/20

This is an application for illegal encroachment of the land of the municipality. The occupant does not the title deeds. Estimated legal cost R500 000.

#### 10. EFF vs Speaker of Mhlontlo Local Municipality - 183/2021: Grahamstown High Court

EFF requests that the wearing of their red regalia be allowed by the Municipality in that the High Court should rule the resolution which barred them from wearing the red regalia be declared unconstitutional. Estimated legal cost R750 000.

#### 11. Mhlontlo Local Municipality // Batabile Construction - 886/2020 MTHATHA Magistrate Court

Batabile Construction was being sued by Telkom for cutting their lines and Batabile claims that Mhlontlo LM is to be blamed. Estimated legal cost R90 000.

#### 12. Mhlontlo Local Municipality // Various Ratepayers for Transfer of Properties; Various Conveyancing Matters: 81 for Tsolo and 36 for Qumbu

The municipality wants to create security of tenure to all its ratepayers so that the revenue can reflect the exact title holder in particular for those properties now registered under MLM. Estimated legal cost R1 215 000.

#### 13. Mhlontlo Local Municipality//Commercial Property on Auction

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# Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Restated

2022

2021

### 31. Contingencies (continued)

Auction of commercial property, opinion rendered and we are now pursuing the rental arrears. Estimated legal cost R300 000.

#### 14. Mhlontlo Local Municipality//Lizomac Architecture Case No. 4322/20

The plaintiff is suing the municipality for breach of contract. The amount sued is R243 278,73. Estimated legal cost R300 000.

#### 15. Fundiswa Ngebe//Mhlontlo Local Municipality Case No. 2174/20

The plaintiff is suing the Municipality for unlawfully demolishing of their properties. The amount sued is R244 000. Estimated legal cost R300 000.

#### 16. Zukisani Maswenkosi//Mhlontlo Local Municipality Case No. 2173/20

The plaintiff is suing the Municipality for unlawfully demolishing of their properties. The amount sued is R234 000. Estimated legal cost R300 000.

#### 17. Likona Saul//Mhlontlo Local Municipality Case No. 2176/20

The plaintiff is suing the Municipality for unlawfully demolishing of their properties. The amount sued is R400 000. Estimated legal cost R300 000.

#### 18. Nandipha Dellhlazo//Mhlontlo Local Municipality Case No. 2177/20

The plaintiff is suing the Municipality for unlawfully demolishing of their properties.

#### 19. Mhlontlo Local Municipality//Zwellxolle Matinze, Case No. 1471/21

The applicant brought an interdict application against Mhlontlo Municipality, interdicting Municipality from demolishing his structure built at Farm Mbuto Administrative Area. Estimated legal cost R300 000.

#### 20. Mhlontlo Local Municipality//Thando Mgaweni and Others, Case No.3127/2021

This is a review application against the decision of the resolution of the Municipality. Estimated legal cost R600 000

#### 21. Mhlontlo Local Municipality// Other, Case No.3561

The respondents unlawfully manufacturing building blocks and building materials at ERF 641. The amount is R200 000.

#### 22. Nandipha Dellhlazo//Mhlontlo Local Municipality Case No. 2177/202

The plaintiff is suing the Municipality for unlawfully demolishing their property. The amount is R428 430,70

#### 23. Mhlontlo Local Municipality//Bongithemba Props Pty Ltd ERF 158

The amount is R300 000.

#### 24. Mhlontlo Local Municipality//Bongithemba Props Pty Ltd ERF 116

The amount is R300 000.

#### 25. Mhlontlo Local Municipality//An & AT Potshwa Family Trust ERF 129.

The amount is R300 000.

#### 26. Mhlontlo Local Municipality//James Kobi ERF 183.

The amount is R300 000.

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# Mhlonfo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Restated

2022

2021

### 31. Contingencies (continued)

**27. Mhlonfo Local Municipality//ERF 627.**  
The amount is R300 000.

**28. Mhlonfo Local Municipality//ERF 629.**  
The amount is R300 000.

**29. Mhlonfo Local Municipality//ERF 625.**  
The amount is R300 000.

**30. Mhlonfo Local Municipality//ERF 631.**  
The amount is R300 000.

**31. Mhlonfo Local Municipality//ERF 628.**  
The amount is R300 000.

**32. Mhlonfo Local Municipality//ERF 635.**  
The amount is R300 000.

**33. Mhlonfo Local Municipality//ERF 333.**  
The amount is R300 000.

**34. Florence Jojo/Mhlonfo Local Municipality, Case No2178/2020-Mthatha High Court**  
The plaintiff is suing the Municipality for the demolishing of her house. She's demanding payemnt being the value of her house. The amount is R 2000 000.

**35. Mzuvukile Ngaka & others//Mhlonfo Local Municipality, Case No.11/2019-Mthatha High Court**  
This is an interdict and restraining from demarcating, sub dividing, developing any structure of any nature on the land. The amount is R1 000 000.

**36. SALGBC eboIMATU & SAMWU//Mhlonfo Local Municipality**  
This is a review application for an arbitration award dated 16 January 2021. The judgement was delivered on 16 August 2022 in favour of the Municipality. The contingency relates to estimates legal costs of R1000 000.

**37. Mhlonfo Local Municipality//F.N. Thamba & others**  
This is an application for unlawful occupiers on the Municipality's land. The amount is R500 000.

**38. Mhlonfo Local Municipality//Spar/Shoprite/Usave & Others**  
This was a complaint that was laid by the numerous residents and business owners about sewerage and spillages around the town of Qumbu. The amount is R500 000.

**39. V. Maqhutyana VS Mhlonfo LM**  
The Municipal vehicle was accidentally damaged whilst being driven by Mr Maqhutyana; however he lodged a claim for unpaid overlines, and we advised the Municipality to pay him whilst we are attending to the issue of damaged vehicle. The vehicle is presently with the panel beaters. The contingency relates to estimated legal costs of R180 000.

**40. Upper Ndwana community and others VS Mhlonfo LM Case Number 978/2022**  
This matter with many others that follow emanate from the people who have no houses. They claim that the Municipality must build houses for them. The matter is being processed on the basis that the Municipality is not responsible for building houses, this the terrain of the Department of Housing and Human Settlements. The amount is R 1350 000.

**41. Mhlonfo Local Municipality//ERF 626.**  
The amount is R300 000.

**42. Mteto Justice Ndabeni//Mhlonfo Local Municipality**  
This is a review application wherein the applicant seeks to review the appointment of the 4th respondent (Municipal manager). This case relates to Mhlonfo residents who were opposing the appointed of a Municipal manager. The contingency for

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

**Notes to the Annual Financial Statements**

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Restated

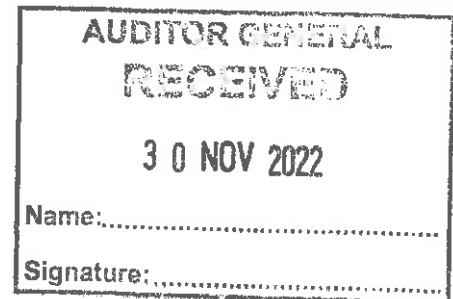
2022

2021

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**31. Contingencies (continued)**

relates to the estimated legal cost of R500 000.





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

**Notes to the Annual Financial Statements**

Restated

2022

2021

**32. Related parties**

**Relationships**  
Accounting Officer  
Mayor  
Speaker  
Chief Whip  
Executive Councilors

**PR Councilors**

**Councilors**

Refer to accounting officer's report note

Clr. M.G. Jera  
Clr. E. Pula  
Clr. N. Gcaba  
Clr. L. Yelezo  
Clr L. Dlova  
Clr. S. Voko  
Clr N. Saythi  
Clr. S. Kahle  
Clr N.M Mvanyashe  
Clr S. Matshoba  
Clr M. Funo  
Clr N. Zikolo  
Clr M.R. Glyose  
Clr V.G. Mazhahana  
Clr Z. Makhana  
Clr N. Mburjane  
Clr B. Rakhani  
Clr B. Madikela  
Clr N. Walezo  
Clr Z. Nondaka  
Clr K. Jubasa  
Clr M. Libezi  
Clr K. Mpula  
Clr B. Rori  
Clr L. Boyane  
Clr S. Bontea  
Clr N. Tiwani  
Clr S. Mngcotana (Ward 1)  
Clr N. Range (Ward 2)  
Clr S. Mbola (Ward 3)  
Clr S. Sophangisa (Ward 4)  
Clr M. Vunguvungu (Ward 5)  
Clr T.S. Guga (Ward 7)  
Clr V. Nododana (Ward 8)  
Clr A. Nombewu (Ward 9)  
Clr S. Mtshali (Ward 10)  
Clr S. Nkurtezi (Ward 12)  
Clr T. Tshana (Ward 13)  
Clr B. Gigi (Ward 14)  
Clr Z. Raneris (Ward 15)  
Clr B. Mthshana (Ward 16)  
Clr M.P. Bontea (Ward 17)  
Clr T. Megugu (Ward 18)  
Clr M. Jikjole (Ward 19)  
Clr M. Mfamele (Ward 20)  
Clr Khemtahe (Ward 21)  
Clr S.M. Hiantl (Ward 22)  
Clr M. Khonza (Ward 23)  
Clr M. Ntamo (Ward 24)  
Clr N.V. Noapeyi (Ward 25)  
Clr C. Masebula (Ward 26)

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# Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Restated	2022	2021
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### 32. Related parties (continued)

Members of key management

Municipal Manager

Acting Municipal Manager

Chief Financial Officer

Community Services Director

Infrastructure Services Director

Corporate Services Director

Local Economic Development Director

Mr T.P. Mase (Dismissed on 28 January 2022)

Mr L. Ndabeni (From 1 June 2022)

Mrs N. Boti

Mr L. Ndabeni

Ms Z. Petze

Mr W. Zwane

Mrs S. Batyi

There were no related party transactions. Apart from the remuneration, no further transactions occurred with councillors and section 56 managers. Refer to Note 20 & 21.

### 33. Prior period errors

The current year comparatives have been adjusted as follows

Statement of Financial Position	Previously stated	Adjustment	Restated 2021
Receivables from non-exchange transactions	17 598 253	(15 811 759)	1 884 494
Property, plant and equipment	513 875 593	(218 141)	513 766 452
Opening Balance (Retained Income/Accumulated Surplus)	(800 082 274)	15 845 376	(584 436 898)
	<u>(88 810 428)</u>	<u>(185 524)</u>	<u>(68 695 952)</u>

The comparative balances for 2021 have been restated as follows:

#### Receivables from non-exchange transactions

The restatement is as a result of prior year recalculation the overpayment of salaries as a result of the 2.5% increment being removed due to events after reporting period. We have also removed bank charges that were incorrectly recorded in the debtors account as unknown debits.

#### Property, plant and Equipment

The restatement is due to the Strategic assets that were not depreciated. That error has now been corrected.

2 Project completed before 2021 were not correctly capitalised. That error has now been corrected.

Statement of Financial Performance	Previously Stated	Adjustments	Restated 2021
Expenditure			
Depreciation and amortisation	(48 871 190)	(93 108)	(48 964 298)
General expenses	(73 036 893)	(108 412)	(73 143 285)
	<u>(122 908 073)</u>	<u>(199 520)</u>	<u>(123 107 593)</u>

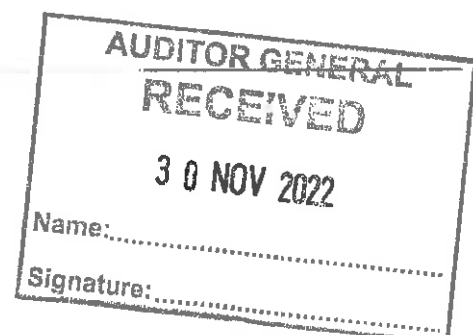
The comparative figures for 2021 have been restated as a result of:

#### General expenses

The restatement is as a result of prior year bank charges being recorded as debtors. That error has now been corrected.

#### Depreciation and amortisation

The restatement is due to the Strategic assets that were not depreciated. That error has now been corrected  
Correction on infrastructure assets that were incorrectly capitalised before 2021..



# Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Restated	2022	2021
<b>34. Unauthorised expenditure</b>		
Opening balance as previously reported	58 861 188	58 861 188
Opening balance restated	11 405 482	
Add: Expenditure identified - current	68 266 670	58 861 188
Closing balance		

Unauthorised expenditure that has been reported and incurred in the current year is due to impairment loss and depreciation.

<b>35. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	1 150 836	1 031 784
Opening balance	1 150 836	1 031 784
Add: Expenditure identified - current	6 780	
Add: Expenditure identified - prior period		118 052
Closing balance	1 157 616	1 150 836

Fruitless and wasteful expenditure incurred relates to interest charged on overdue accounts and penalties from SARS. The expenditure is under investigation.

<b>36. Irregular expenditure</b>		
Opening balance as previously reported	105 103 711	98 958 448
Opening balance as restated	105 103 711	98 958 448
Add: Irregular Expenditure - current	4 545 369	5 144 263
Add: Irregular Expenditure - identified by AG in current year	288 938	
Less: Amount written off - current	(51 235 324)	
Closing balance	58 683 685	105 103 711

Incidents/cases identified in the current year include those listed below:

Competitive bidding not followed	2 142 243
False declaration of interest submitted	950 331
SCM regulations not followed	1 722 724
	4 815 298

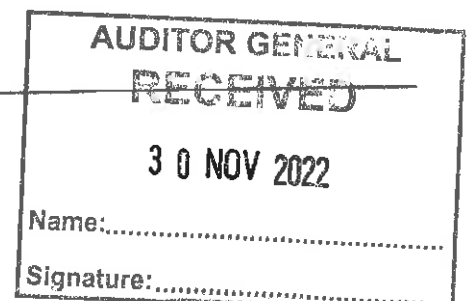
### Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R51 235 324 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

### 37. Deviation from supply chain management regulations

Goods and services to the value of R18 900 (2021:R1 222 036) were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

A register containing the details of the deviations is available for inspection.



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

**Notes to the Annual Financial Statements**

Restated	2022	2021
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**38. Commitments**

**Already contracted for but not provided for**

<b>Already contracted for but not provided for</b>		
Property, plant and equipment	32 437 714	61 961 744

This committed capital expenditure relates to roads and other infrastructure developments, building of town halls and other goods and services and will be financed by available bank facilities, retained surpluses, as well as Grant funding and existing cash resources.

**39. Revenue**

Service charges	2 031 968	1 810 647
Rental of facilities and equipment	24 034	22 302
Agency services	1 248 426	1 237 802
Licences and permits	1 430 771	1 502 669
Other income	120 510	127 768
Interest received - investment	5 274 489	3 573 442
Property rates	33 276 037	31 091 969
Government grants & subsidies	271 854 877	291 095 701
Fines, Penalties and Forfeits	831 765	1 377 636
Commission on payroll	272 031	310 988
	<b>316 366 908</b>	<b>332 151 124</b>

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	2 031 968	1 810 647
Rental of facilities and equipment	24 034	22 302
Agency services	1 248 426	1 237 802
Licences and permits	1 430 771	1 502 669
Other income	120 510	127 768
Interest received - investment	5 274 489	3 573 442
	<b>10 130 198</b>	<b>8 274 830</b>

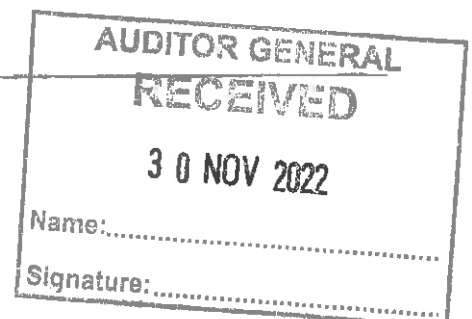
The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	33 276 037	31 091 969
Transfer revenue		
Government grants & subsidies	271 854 877	291 095 701
Fines, Penalties and Forfeits	831 765	1 377 636
Commission on payroll	272 031	310 988
	<b>306 238 710</b>	<b>323 876 294</b>

**40. Additional disclosure in terms of Municipal Finance Management Act**

**Contributions to organised local government**

Current year subscription / fee	1 082 948	1 219 061
Amount paid - current year	(1 082 948)	(1 219 061)
	<b>-</b>	<b>-</b>



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

**Notes to the Annual Financial Statements**

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**41. Budget differences**

**Material differences between budget and actual amounts**

Only variances exceeding 10% are considered material and have been explained below.

**STATEMENT OF FINANCIAL PERFORMANCE**

41.1 Variance is trivial and immaterial

41.2 Variance is trivial and immaterial.

41.3 Variance is trivial and immaterial.

41.4 Variance is trivial and immaterial.

41.5 Variance is trivial and immaterial.

41.6 Interest received on investments increased due to the increased cash investments by the municipality..

41.7 Variance is trivial and immaterial.

41.8 Variance is trivial and immaterial.

41.10 Fines, penalties and forfeits were underbudgeted.

41.12 Underpending on employee costs and also the reverting to old salary scales before the 2,5% in February 2021.

41.13 Variance is due to salary increment for councillors not been implemented in 2021/2022.

41.14 Budget was compiled using the fixed asset register before considering the change in estimates and other depreciation factors.

41.15 Budget was compiled using the fixed asset register before considering impairments. The floods that took place in November and December 2021 damaged a lot of infrastructure assets that had to be impaired. Also in the budget document, impairment and Depreciation are budgeted for under 1 line item.

41.16 Finance costs not budgeted for.

41.17 Leases not budgeted for.

41.18 Debt impairment is as a result of an increase in debtors in the current year and less collection in revenue.

41.19 Overbudgeting on contracted services. Some of the items budgeted for under contracted services were general expenditure items.

41.20 Underbudgeting on general expenditure.

41.21 The municipality budgeted for a Gain on disposal of assets instead it made a loss hence the variance.

41.22 Actual gain or losses not budgeted for.

41.23 Movement in (Interest)/change in estimate on Landfill Site not budgeted for.

**STATEMENT OF FINANCIAL POSITION**

41.25 The variance is due receivables from exchange transactions and receivables from non-exchange transactions being budgeted together as consumer debtors on the budget document.

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# Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 41. Budget differences (continued)

41.26 The variance is due to less collection of revenue in the current year which resulted in a huge increase in debt impairment provision and less net receivables.

41.27 Variance is Trivial and Immaterial.

41.28 Cash and cash equivalents variance is due to the municipality having received more than what was budgeted for and savings from equitable share. The municipality also received a R20 000 000 MIG additional allocation in March 2022 which was unspent as year-end.

41.29 Variance is Trivial and immaterial.

41.30 Due to the floods that took place in November and December 2021, there was a large increase in impairment of assets. Also the completion of various Capital projects led them being depreciated thus a decrease in carry value.

41.31 Intangible assets cost was not budgeted for.

41.32 Variance is due to Heritage Assets being written-off in current year..

41.33 The variance is due to an increase in Retentions and accruals at year end.

41.34 Employee benefit obligation not budgeted for.

41.35 Unspent conditional grant and subsidies not budgeted for.

41.38 Employee benefit obligation not budgeted for.

41.39 Provisions were overbudgeted for since in the past the municipality use to account for legal costs as provisions.

### CASH FLOW STATEMENT

41.40 The variance is due to additional schools that were valued and billed.

41.41 Low collection on refuse removal due to rural nature of the municipality.

41.42 Variance is due to overbudgeting.

41.43 Interest received on investment increased to the saving on equitable share that was generating increase.

41.44 Variance is trivial and immaterial.

41.48 Employee costs and payments of suppliers are budgeted in one place on the budget and the actuals in the financial statements were split for GRAP Financial compliance.

41.50 Purchase of Property, Plant and Equipment was overbudgeted.

41.52 Variance is due to the saving on equitable share expenditure and additional MIG funding that was received by the municipality.

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

**Notes to the Annual Financial Statements**

Restated	2022	2021
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**42. Change in estimate**

**Property, plant and equipment**

The useful life of all assets were assessed and as a result certain infrastructure assets, buildings and movable assets useful lives were changed in the current year. The effect of this revision has decreased the depreciation charges for the current and future periods. The impact on depreciation is as follows:

- Movable assets depreciation has decreased by R304 622,58.
- Buildings depreciation has decreased by R62 435,70.
- Community asset depreciation has decreased by R7 674,87

The list of these assets is available on the asset register.. The effect of this revision has decreased the depreciation charges for the current and future periods by R374 933,15

**43. Events after the reporting date**

The following significant event has occurred after the reporting date.

There's a court judgement with case number 1433/2021 delivered in the Mthetha High Court on 16 August 2022, it has been noted that the court ruled in favour of the two employees that instituted a claim against the municipality regarding the salary overpayments. The court judgement stipulates the following:

The decision of the respondents (municipality and its representatives) that the applicants were overpaid is unlawful and of no force and effect;

The respondents' decision to reduce the applicants' basic salaries and essential use allowances is unlawful.

The respondents are directed to re-instate the applicants' basic salary and essential use allowance and with retrospective effect to the date the reduction was effected.

As a result the sundry debtors overpayment of R15 666 746 is no longer applicable.

**44. Going concern**

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 659 806 367 and that the municipality's total liabilities exceed its assets by R 669 806 367.

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.

**45. Segment Information**

**General Information**

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Annual Financial Statements for the year ended 30 June 2022

**Notes to the Annual Financial Statements**

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**45. Segment Information (continued)**

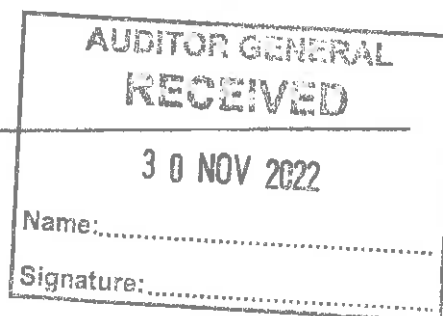
**Identification of segments**

The municipality is organised and reports to management on the basis of the following functional areas: Community and Social Services, Executive and council, Finance and administration, Planning and Development, Public Safety, Road Transport and Waste Management. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives.

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.

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

- Trading services (Refuse remove and property rates) (Primary segment)
- Public safety and Community services (Secondary segment)
- Technical services, roads and transport (Tertiary segment)



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

**Notes to the Annual Financial Statements**

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**45. Segment information (continued)**

**Segment surplus or deficit, assets and liabilities**

**2022**

	Trading services (Primary segment)	Public safety and Community services (Secondary segment)	Technical services, Road and Transport (Tertiary segment)	Segment Total	Eliminations (Non-segment)	Total
Revenue	(2 031 968)	-	-	(2 031 968)	-	(2 031 968)
Revenue from exchange transactions	-	(13 912)	-	(13 912)	(10 122)	(24 034)
Service charges	-	(1 248 426)	-	(1 248 426)	-	1 248 426
Rental of facilities and equipment	-	(1 279 253)	-	(1 279 253)	(151 518)	(1 430 771)
Agency services	-	(20 584)	-	(20 584)	(99 926)	(120 510)
Licences and permits	-	-	-	-	(5 274 489)	(5 274 489)
Other income	-	-	-	-	-	-
Interest earned - Investments	(33 038 221)	-	-	(33 038 221)	-	(33 038 221)
Revenue from non-exchange transactions	(27 971 539)	(27 165 924)	(97 525 336)	(142 662 802)	(128 192 075)	(271 854 877)
Property rates	-	(831 766)	-	(831 766)	-	(831 766)
Government grants & subsidies	-	-	-	-	(272 031)	(272 031)
Fines	-	-	-	-	-	-
Commission received	(63 041 726)	(30 558 864)	(87 525 336)	(181 126 931)	(135 000 161)	(316 366 908)
Total municipal revenue	-	-	-	-	-	-
Municipality's revenue	-	-	-	-	-	(316 366 908)

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

**Notes to the Annual Financial Statements**

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	Trading services (Primary segment)	Public safety and Community services (Secondary segment)	Technical services, Road and Transport (Tertiary segment)	Segment Total	Eliminations (Non-segment)	Total
14 933 837	23 119 484	10 669 018	48 722 339	39 985 298	88 687 637	
238 135	1 529 151	42 319 503	44 087 789	20 300 905	20 300 905	
25 819	3 337 738	5 026 134	8 369 680	3 220 197	47 307 886	
-	-	-	-	2 040 880	10 430 880	
-	-	-	-	560 695	560 695	
13 461 207	281 821	-	13 743 028	1 002 795	1 002 795	
-	8 471 086	-	8 471 086	-	13 743 028	
-	-	-	-	1 917 749	6 471 086	
-	-	-	-	342 938	1 917 749	
-	715 484	-	715 484	-	342 938	
2 128 548	2 614 948	53 690 661	58 429 055	69 870 335	715 484	
30 783 644	40 089 712	111 798 369	182 658 491	139 291 692	125 856 003	
					322 268 071	
					<b>(3 040 072)</b>	
					<b>(181 128 931)</b>	
					<b>182 558 461</b>	
					<b>(1 431 530)</b>	

**45. Segment Information (continued)**

Expenditure	
Employee related costs	
Remuneration of councillors	
Depreciation and amortisation	
Impairments loss	
Finance costs	
Lease rentals on operating lease	
Debt impairment	
Contracted services	
Loss on disposal of assets	
Actuarial losses	
Movement in (interest) change in estimate on Landfill Site	
General expenses	
<b>Total segment expenditure</b>	
<b>Total municipality's surplus/(deficit)</b>	
Total segment revenue	
<b>Total segment expenditure</b>	
<b>Segment surplus (deficit) for the period</b>	

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**Mhionto Local Municipality**  
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**Notes to the Annual Financial Statements**

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	Trading services (Primary segment)	Public safety and Community services (Secondary segment)	Technical services, Road and Transport (Tertiary segment)	Segment Total	Eliminations (Non-segment)	Total
Assets	312 455	395 110	-	312 455	-	312 455
Receivables from exchange transactions	2 184 583	-	-	2 579 692	105 242	2 684 934
Receivables from non-exchange transactions	-	-	-	-	13 475 233	13 475 233
VAT Receivables	-	-	-	-	172 029 786	172 029 786
Cash and cash equivalents	-	-	-	-	5 982 821	5 982 821
Investment property	4 942 357	30 224 351	250 884 639	286 051 347	243 212 451	529 263 798
Property, plant and equipment	-	-	-	-	157 238	157 238
Intangible assets	-	-	-	-	-	-
<b>Total segment assets</b>	<b>7 439 395</b>	<b>30 619 461</b>	<b>250 884 639</b>	<b>286 943 494</b>	<b>435 562 551</b>	<b>724 506 045</b>

**Total assets as per Statement of financial Position**

Liabilities	-	-	-	-	18 534 023	18 534 023
Payables from exchange transactions	-	-	-	-	21 782 754	21 782 754
Employee benefits	-	-	19 632 856	19 632 856	-	19 632 856
Unspent conditional grants	-	4 929 019	-	4 929 019	-	4 929 019
Provisions	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>4 929 019</b>	<b>19 632 856</b>	<b>24 561 875</b>	<b>40 316 777</b>	<b>64 878 652</b>

<b>Total segment assets</b>	<b>286 943 494</b>
<b>Total segment liabilities</b>	<b>(24 561 875)</b>
<b>Net segment assets</b>	<b>264 381 619</b>
<b>Municipalities' net assets</b>	<b>658 806 387</b>

2021

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

**Notes to the Annual Financial Statements**

**Particular**

**45. Segment Information (continued)**

Revenue	(1 810 647)	-	-	(1 810 647)	-	(1 810 647)
Service charges	-	(10 272)	-	(10 272)	-	(22 302)
Rental of facilities and equipment	-	(1 237 802)	-	(1 237 802)	-	(1 237 802)
Agency services	-	(1 502 889)	-	(1 502 889)	-	(1 502 889)
Licences and permits	-	(107 203)	-	(107 203)	(20 586)	(127 788)
Other income	-	-	-	-	-	(3 573 442)
Interest earned - Investments	(31 091 888)	-	-	(31 091 888)	-	(31 091 888)
Property rates	(8 925 117)	(47 147 368)	(106 806 841)	(162 879 326)	(128 216 376)	(291 095 701)
Government grants and subsidies	-	(1 377 636)	-	(1 377 636)	-	1 377 636
Fines	-	-	-	-	(310 988)	(310 988)
Commission received	-	-	-	-	-	-
<b>Total municipalities revenue</b>	<b>(41 827 733)</b>	<b>(51 363 190)</b>	<b>(106 806 841)</b>	<b>(203 591 106)</b>	<b>(128 558 958)</b>	<b>(332 151 124)</b>
<b>Municipality's revenue</b>						<b>(332 151 124)</b>

Expenditure	15 761 915	20 673 891	10 982 108	47 617 914	37 604 970	85 640 588
Employee related costs	-	-	-	-	20 027 063	20 027 063
Remunerations of councillors	221 553	1 518 148	46 282 149	47 021 850	2 942 448	49 964 298
Depreciation and amortisation	551	-	2 048 031	2 048 582	229 105	2 277 687
Impairment of assets	-	-	-	-	527 451	527 451
Finance costs	-	-	-	-	980 089	980 089
Leases rentals on operating leases	7 855 883	963 067	-	8 838 950	-	8 838 950
Debt impairment	-	8 954 508	-	8 954 508	-	8 954 508
Contracted services	-	-	-	-	1 776 888	1 776 888
Loss on disposal of assets	-	-	-	-	120 304	120 304
Actuarial losses	-	1 490 484	-	1 490 484	-	1 490 484
Movement in (interest)/change in estimate on Landfill site	3 034 764	6 183 855	12 587 772	19 055 391	54 087 904	73 143 295
General expenses	26 874 696	39 983 953	70 900 000	136 027 679	118 296 200	253 741 583
<b>Total expenditure</b>						<b>78 406 541</b>
<b>Total segmental surplus/(deficit)</b>						<b>203 591 185</b>
Total segment revenue						<b>(178 409 451)</b>
Total segment expenditure						<b>(125 181 716)</b>
Total segment Surplus for the year						<b>78 409 541</b>

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**Mhlontlo Local Municipality**  
Annual Financial Statements for the year ended 30 June 2022  
**Notes to the Annual Financial Statements**

Restated

45. Segment information (continued)

					Total
<b>Assets</b>					
Receivables from exchange transactions	155 907	-	-	155 907	155 907
Receivables from non-exchange transactions	459 863	782 106	-	1 984 494	1 984 494
VAT Receivables	-	-	-	-	7 924 108
Cash and cash equivalents	-	-	-	-	169 332 520
Investment property	-	-	-	-	5 982 821
Property, plant and equipment	5 207 311	31 549 949	282 105 821	318 863 081	194 893 371
Intangible assets	-	-	-	-	322 155
Heritage assets	-	-	-	-	210 810
<b>Total assets</b>	<b>6 823 061</b>	<b>32 332 055</b>	<b>282 105 821</b>	<b>321 043 482</b>	<b>378 665 595</b>
<b>Total assets as per Statement of financial Position</b>					<b>689 669 087</b>
					<b>689 669 087</b>
<b>Liabilities</b>					
Payables from exchange transactions	-	(2 659 571)	-	(2 659 571)	(9 080 170)
Employee benefit obligation	-	-	-	-	(20 854 352)
Unspent conditional grants and receipts	-	-	-	-	(15 000)
Provisions	(4 213 535)	-	-	(4 213 535)	(15 000)
<b>Total liabilities</b>	<b>(4 213 535)</b>	<b>(2 659 571)</b>	<b>-</b>	<b>(6 873 106)</b>	<b>(29 945 522)</b>
<b>Total segment assets</b>					<b>(38 822 628)</b>
<b>Total segment liabilities</b>					<b>321 003 482</b>
<b>Total segment net assets</b>					<b>(6 873 106)</b>
<b>Total liabilities as per Statement of financial Position</b>					<b>314 130 376</b>
					<b>682 946 439</b>

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**Notes to the Annual Financial Statements**

**Revised**

**45. Segment Information (continued)**

**Reporting on Segments Assets and Liabilities**

Assets and liabilities are utilised by management to assess key financial indicators and financial ratios such as solvency ratio, liquidity ratio, Debt to equity ratio etc. for the municipality as a whole.

**Geographic Segment Reporting**

Although the Municipality operates in a number of geographical areas (i.e. wards) in and around Quthu and Tsoo area, 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.

**Measurement of specific segment information**

The accounting policies of the respective segments are the same as the prescribed in the summary of accounting policies and therefore the basis of measurement between the segment reporting and the annual financial statements are consistent

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

