



**PORT ST JOHNS**  
• MUNICIPALITY •  
OUR HERITAGE. OUR PEOPLE

**Port St Johns Local Municipality  
Annual Financial Statements  
for the year ended June 30, 2023**

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## General Information

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<b>Legal form of entity</b>	Municipality
<b>Nature of business and principal activities</b>	To provide services to communities in a sustainable manner, promote social and economic development; promote a safe and healthy environment and to encourage the involvement of communities and community organisations in the matters of local government.
<b>Executive committee</b>	
Mayor	Cllr. N. Mlombile-Cingo
Speaker	Cllr. C. Nduku-Mazuza
Chief Whip	Cllr. X. Moni
Councillors	Cllr. N. Mazaleni Cllr. Z. Zozi Cllr. A. Gantsho Cllr. K. Bikiza Cllr. N. Tani Cllr. S. Madolo Cllr. T. Tshikitshwa Cllr. Z. Mtiki Cllr. N. Vava Cllr. P. Nomarhobo Cllr. MB. Madotyeni Cllr. N. Kawu Cllr. M. Maninjwa Cllr. Z. Mhlabeni Cllr. IPS. Ndudu Cllr. B. Mjakuja Cllr. S. Ndabeni Cllr. N. Javu Cllr. B. Ncomfu Cllr. P. Ngozi Cllr. N. Puzi Cllr. SE. Sicoto Cllr. N. Dobe Cllr. SV. Mavimbela Cllr. F. Mafaka Cllr. SI. Ncolosi Cllr. NF. Dobe Cllr. M. Makaula Cllr. MA. Jam-Jam Cllr. M. Ntiyantiya Cllr. TZ. Pato Cllr. CT. Xangayi Cllr. LD Mafaka Cllr. C. Hashibe Cllr. O. Ndumela Cllr. SL. Ntlatywa
<b>Chief Finance Officer (CFO)</b>	Ms. Z. Mkuzo (Acting Chief Finance Officer ) Feb 2023 - June 2023 Ms. B. Mbana
<b>Accounting Officer</b>	Mr. M. Fihlani

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## General Information

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<b>Registered office</b>	257 Main Street Port St Johns 5120
<b>Business address</b>	257 Main Street Port St Johns 5120
<b>Postal address</b>	P O Box 2 Port St Johns 5120
<b>District Municipality</b>	OR Tambo District Municipality Incorporated in South Africa
<b>Bankers</b>	Standard Bank First National Bank
<b>Auditors</b>	Auditor -General of South Africa
<b>Municipal demarcation code</b>	EC154
<b>Grading of Local Authority</b>	Grade 3
<b>Capacity of Local Authority</b>	Low
<b>Email address</b>	<a href="mailto:mfihlani@psjmunicipality.gov.za">mfihlani@psjmunicipality.gov.za</a>
<b>Telephone</b>	043 564 6700
<b>Internal Auditors</b>	Ingquza Hill Local Municipality -Internal Audit Unit

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Index

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

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### Abbreviations used:

GRAP	Generally Recognised Accounting Practice
EPWP	The Expanded Public Works Programme
MIG	Municipal Infrastructure Grant (Previously CMIP)
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
Cllr.	Councillor

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Officer's Responsibilities and Approval

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

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

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

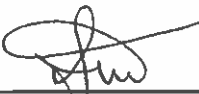
The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2024 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 wholly dependent on the municipality 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.

The annual financial statements set out on page 7- 103 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed by:



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**Mr. M. Fihlan**  
Accounting Officer

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Statement of Financial Position as at June 30, 2023

Figures in Rand	Note(s)	2023	2022
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	62,472,613	61,861,759
Receivables from exchange transactions	4	1,492,359	1,707,956
Receivables from non-exchange transactions	5&8	8,731,290	5,141,962
VAT receivable	6	1,213,538	2,737,823
Consumer debtors	7	988,588	1,190,653
Cash and cash equivalents	9	152,972,925	121,987,476
		<b>227,871,313</b>	<b>194,627,629</b>
<b>Non-Current Assets</b>			
Investment property	10	13,131,536	13,262,386
Property, plant and equipment	11	530,548,763	489,664,686
Intangible assets	12	147,713	491,902
Heritage assets	13	123,700	123,700
		<b>543,951,712</b>	<b>503,542,674</b>
Non-Current Assets		543,951,712	503,542,674
Current Assets		227,871,313	194,627,629
<b>Total Assets</b>		<b>771,823,025</b>	<b>698,170,303</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	14	626,263	943,415
Operating lease liability	19	2,264,628	1,773,423
Payables from exchange transactions	15	51,778,440	45,541,255
Consumer deposits	16	61,000	61,000
Employee benefit obligation	17	446,466	704,000
Unspent conditional grants and receipts	18	21,205,666	5,106,492
		<b>76,382,463</b>	<b>54,129,585</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	14	610,075	1,236,337
Operating lease liability	19	4,405,276	2,398,837
Employee benefit obligation	17	4,166,549	4,004,000
Provisions	20	9,905,610	11,042,383
		<b>19,087,510</b>	<b>18,681,557</b>
Non-Current Liabilities		19,087,510	18,681,557
Current Liabilities		76,382,463	54,129,585
<b>Total Liabilities</b>		<b>95,469,973</b>	<b>72,811,142</b>
Assets		771,823,025	698,170,303
Liabilities		(95,469,973)	(72,811,142)
<b>Net Assets</b>		<b>676,353,052</b>	<b>625,359,161</b>
Accumulated surplus		676,353,052	625,359,164
<b>Total Net Assets</b>		<b>676,353,052</b>	<b>625,359,164</b>

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	21	1,084,860	1,043,132
Rental of facilities and equipment	22	162,373	136,319
Interest received -Debtors		7,098,512	5,812,551
Licences and permits	23	527,779	990,900
Other income	24	5,927,444	2,589,165
Interest received - investment	25	10,585,684	5,831,641
Gain on disposal of assets and liabilities		-	3,691,347
Actuarial gains		796,012	46,752
<b>Total revenue from exchange transactions</b>		<b>26,182,664</b>	<b>20,141,807</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	26	11,346,366	10,978,259
<b>Transfer revenue</b>			
Government grants & subsidies	27	270,806,337	242,608,177
Public contributions and donations	28	2,250,000	11,381,749
Fines, Penalties and Forfeits	29	224,700	261,000
<b>Total revenue from non-exchange transactions</b>		<b>284,627,403</b>	<b>265,229,185</b>
		26,182,664	20,141,807
		284,627,403	265,229,185
<b>Total revenue</b>		<b>310,810,067</b>	<b>285,370,992</b>
<b>Expenditure</b>			
Employee related costs	30	(93,839,570)	(88,697,764)
Remuneration of councillors	31	(13,081,777)	(13,717,154)
Depreciation and amortisation	32	(42,093,829)	(108,317,104)
Impairments of assets	33	(4,989,814)	-
Finance costs	34	(1,928,107)	(1,814,495)
Lease rentals on operating lease	35	(2,604,824)	(676,794)
Debt Impairment	36	(9,234,624)	(5,194,280)
Contracted services	37	(20,330,905)	(17,462,429)
Transfers and Subsidies	38	(8,204,412)	(9,611,994)
Loss on disposal of assets and liabilities		(93,494)	-
Inventories losses/write-downs		-	(1,475,117)
General Expenses	39	(63,414,822)	(69,882,162)
<b>Total expenditure</b>		<b>(259,816,178)</b>	<b>(316,849,293)</b>
Total revenue		310,810,067	285,370,992
Total expenditure		(259,816,178)	(316,849,293)
Operating surplus/deficit		-	-
Surplus (deficit) before taxation		50,993,889	(31,478,301)
Taxation		-	-
<b>Surplus (deficit) for the year</b>		<b>50,993,889</b>	<b>(31,478,301)</b>

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	634,352,742	634,352,742
Adjustments		
Prior year adjustments 58	22,484,720	22,484,720
<b>Balance at July 1, 2021 as restated*</b>	<b>656,837,462</b>	<b>656,837,462</b>
Changes in net assets		
Surplus for the year	(31,478,298)	(31,478,298)
<b>Total changes</b>	<b>(31,478,298)</b>	<b>(31,478,298)</b>
Opening balance as previously reported	617,027,240	617,027,240
Adjustments		
Prior year adjustments 58	8,331,923	8,331,923
<b>Balance at July 1, 2022 as restated*</b>	<b>625,359,163</b>	<b>625,359,163</b>
Changes in net assets		
Surplus for the year	50,993,889	50,993,889
<b>Total changes</b>	<b>50,993,889</b>	<b>50,993,889</b>
<b>Balance at June 30, 2023</b>	<b>676,353,052</b>	<b>676,353,052</b>

Note(s)



# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Cash Flow Statement

Figures in Rand	Note(s)	2023	2022
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
VAT Refunds		18,314,710	16,336,678
Grants		287,762,875	236,233,587
Interest income		10,585,684	5,831,641
Receipts from consumers		7,093,462	8,149,466
		<b>323,756,731</b>	<b>266,551,372</b>
<b>Payments</b>			
Employee costs		(93,839,569)	(88,697,764)
Remuneration of Councillors		(13,081,777)	(13,717,154)
Finance Costs		(21,627)	(35,326)
Suppliers		(97,356,275)	(96,920,424)
Grants and subsidies paid		(9,435,074)	(9,611,994)
		<b>(213,734,322)</b>	<b>(208,982,662)</b>
Total receipts		323,756,731	266,551,372
Total payments		(213,734,322)	(208,982,662)
<b>Net cash flows from operating activities</b>	<b>42</b>	<b>110,022,409</b>	<b>57,568,710</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(78,093,545)	(83,577,409)
Proceeds from sale of property, plant and equipment	11	-	216,303
Purchase of other intangible assets	12	-	(688,850)
<b>Net cash flows from investing activities</b>		<b>(78,093,545)</b>	<b>(84,049,956)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(943,414)	1,494,720
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>30,985,450</b>	<b>(24,986,526)</b>
Cash and cash equivalents at the beginning of the year		121,987,476	146,974,002
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>152,972,926</b>	<b>121,987,476</b>

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	2,000,000	-	2,000,000	1,084,860	(915,140)	[A1]
Rental of facilities and equipment	170,000	-	170,000	162,373	(7,627)	
Interest charged on overdue consumer accounts	4,175,000	-	4,175,000	7,098,512	2,923,512	[A2]
Licences and permits	100,000	-	100,000	527,779	427,779	[A3]
Other income 1	1,990,000	5,000	1,995,000	5,927,444	3,932,444	[A4]
Interest received - investment	6,000,000	-	6,000,000	10,585,684	4,585,684	
Gains on disposal of assets	301,500	-	301,500	-	(301,500)	
<b>Total revenue from exchange transactions</b>	<b>14,736,500</b>	<b>5,000</b>	<b>14,741,500</b>	<b>25,386,652</b>	<b>10,645,152</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	15,632,481	-	15,632,481	11,346,366	(4,286,115)	[A5]
<b>Transfer revenue</b>						
Government grants & subsidies	201,067,000	1,866,512	202,933,512	270,806,337	67,872,825	[A6]
Fines, Penalties and Forfeits	70,000	24,500	94,500	224,700	130,200	
<b>Total revenue from non-exchange transactions</b>	<b>216,769,481</b>	<b>1,891,012</b>	<b>218,660,493</b>	<b>282,377,403</b>	<b>63,716,910</b>	
'Total revenue from exchange transactions'	14,736,500	5,000	14,741,500	25,386,652	10,645,152	
'Total revenue from non-exchange transactions'	216,769,481	1,891,012	218,660,493	282,377,403	63,716,910	
<b>Total revenue</b>	<b>231,505,981</b>	<b>1,896,012</b>	<b>233,401,993</b>	<b>307,764,055</b>	<b>74,362,062</b>	
<b>Expenditure</b>						
Employee related costs	(85,788,873)	(8,708,463)	(94,497,336)	(93,839,570)	657,766	[A7]
Remuneration of councillors	(15,959,729)	-	(15,959,729)	(13,081,777)	2,877,952	[A8]
Depreciation and amortisation	(53,859,405)	(5,551,734)	(59,411,139)	(42,093,829)	17,317,310	[A9]
Finance costs	(407,145)	203,549	(203,596)	(1,928,107)	(1,724,511)	[A10]
Debt Impairment	(5,705,763)	-	(5,705,763)	(9,234,624)	(3,528,861)	[A11]
Contracted Services	(13,812,315)	755,052	(13,057,263)	(20,330,905)	(7,273,642)	[A12]
Transfers and Subsidies	(15,710,074)	(945,000)	(16,655,074)	(8,204,412)	8,450,662	[A13]
Inventories losses/write-downs	(1,206,361)	(62,619)	(1,268,980)	-	1,268,980	
General Expenses	(72,362,046)	(5,822,506)	(78,184,552)	(63,537,635)	14,646,917	[A14]
<b>Total expenditure</b>	<b>(264,811,711)</b>	<b>(20,131,721)</b>	<b>(284,943,432)</b>	<b>(257,240,673)</b>	<b>27,702,759</b>	
	-	-	-	-	-	
<b>Surplus for the year</b>	<b>33,306,000</b>	<b>18,236,000</b>	<b>51,542,000</b>	<b>49,608,358</b>	<b>(1,933,642)</b>	
	<b>33,306,000</b>	<b>18,236,000</b>	<b>51,542,000</b>	<b>49,608,358</b>	<b>(1,933,642)</b>	

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	68,338,597	(6,279,351)	<b>62,059,246</b>	62,472,613	<b>413,367</b>	[A16]
Receivables from exchange transactions	4,548,325	1,840,623	<b>6,388,948</b>	1,492,359	<b>(4,896,589)</b>	[B2]
Consumer debtors	9,373,077	54,905	<b>9,427,982</b>	988,588	<b>(8,439,394)</b>	[B2]
Call Investment deposits	310,840	(5,160,000)	<b>(4,849,160)</b>	-	<b>4,849,160</b>	
Cash and cash equivalents	80,063,511	(48,724,760)	<b>31,338,751</b>	152,972,925	<b>121,634,174</b>	[B3]
	<b>162,634,350</b>	<b>(58,268,583)</b>	<b>104,365,767</b>	<b>226,657,775</b>	<b>122,292,008</b>	
<b>Non-Current Assets</b>						
Investment property	4,462,385	(11,080,552)	<b>(6,618,167)</b>	13,131,536	<b>19,749,703</b>	[B4]
Property, plant and equipment	543,335,050	19,072,172	<b>562,407,222</b>	530,548,763	<b>(31,858,459)</b>	[B5]
Intangible assets	516,274	584,250	<b>1,100,524</b>	147,713	<b>(952,811)</b>	
	<b>548,313,709</b>	<b>8,575,870</b>	<b>556,889,579</b>	<b>543,951,712</b>	<b>(12,937,867)</b>	
Non-Current Assets	162,634,350	(58,268,583)	<b>104,365,767</b>	226,657,775	<b>122,292,008</b>	
Current Assets	548,313,709	8,575,870	<b>556,889,579</b>	543,951,712	<b>(12,937,867)</b>	
<b>Total Assets</b>	<b>710,948,059</b>	<b>(49,692,713)</b>	<b>661,255,346</b>	<b>770,609,487</b>	<b>109,354,141</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Finance lease obligation	284,000	1,489,813	<b>1,773,813</b>	626,263	<b>(1,147,550)</b>	
Payables from exchange transactions	43,653,953	1,789,395	<b>45,443,348</b>	51,778,440	<b>6,335,092</b>	[B6]
Consumer deposits	61,000	-	<b>61,000</b>	61,000	-	
Provisions	15,197,185	341,000	<b>15,538,185</b>	-	<b>(15,538,185)</b>	
	<b>59,196,138</b>	<b>3,620,208</b>	<b>62,816,346</b>	<b>74,117,835</b>	<b>11,301,489</b>	
<b>Non-Current Liabilities</b>						
Finance lease obligation	3,019,193	(284,189)	<b>2,735,004</b>	610,075	<b>(2,124,929)</b>	
Provisions	12,851,973	(4,125,741)	<b>8,726,232</b>	9,905,610	<b>1,179,378</b>	[B9]
	<b>15,871,166</b>	<b>(4,409,930)</b>	<b>11,461,236</b>	<b>10,515,685</b>	<b>(945,551)</b>	
	59,196,138	3,620,208	<b>62,816,346</b>	74,117,835	<b>11,301,489</b>	
	15,871,166	(4,409,930)	<b>11,461,236</b>	10,515,685	<b>(945,551)</b>	
<b>Total Liabilities</b>	<b>75,067,304</b>	<b>(789,722)</b>	<b>74,277,582</b>	<b>84,633,520</b>	<b>10,355,938</b>	
Assets	710,948,059	(49,692,713)	<b>661,255,346</b>	770,609,487	<b>109,354,141</b>	
Liabilities	(75,067,304)	789,722	<b>(74,277,582)</b>	(84,633,520)	<b>(10,355,938)</b>	
<b>Net Assets</b>	<b>635,880,755</b>	<b>(48,902,991)</b>	<b>586,977,764</b>	<b>685,975,967</b>	<b>98,998,203</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	635,880,755	(48,902,991)	<b>586,977,764</b>	685,975,967	<b>98,998,203</b>	

# Port St Johns-Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Property rates	10,375,740	-	10,375,740	11,346,366	970,626	
Service Charge	1,172,000	-	1,172,000	1,084,860	(87,140)	
Transfers and subsidies - operational	201,067,001	(13,203,000)	187,864,001	203,081,511	15,217,510	
Interest income	9,000,000	-	9,000,000	10,585,684	1,585,684	
Other income	2,330,000	30,000	2,360,000	5,927,444	3,567,444	
Transfers and subsidies - capital	61,542,000	13,300,000	74,842,000	67,724,820	(7,117,180)	
	<b>285,486,741</b>	<b>127,000</b>	<b>285,613,741</b>	<b>299,750,685</b>	<b>14,136,944</b>	
<b>Payments</b>						
Suppliers and employees	(189,129,324)	(13,875,917)	(203,005,241)	(194,940,744)	8,064,497	
Finance Costs	(407,145)	203,549	(203,596)	(1,665,057)	(1,461,461)	
Grants and subsidies paid	(15,710,074)	(945,000)	(16,655,074)	(8,204,412)	8,450,662	
	<b>(205,246,543)</b>	<b>(14,617,368)</b>	<b>(219,863,911)</b>	<b>(204,810,213)</b>	<b>15,053,698</b>	
Total receipts	285,486,741	127,000	285,613,741	299,750,685	14,136,944	
Total payments	(205,246,543)	(14,617,368)	(219,863,911)	(204,810,213)	15,053,698	
<b>Net cash flows from operating activities</b>	<b>80,240,198</b>	<b>(14,490,368)</b>	<b>65,749,830</b>	<b>94,940,472</b>	<b>29,190,642</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(120,087,703)	9,538,000	(110,549,703)	(65,586,325)	44,963,378	
Proceeds from sale of property, plant and equipment	301,500	-	301,500	-	(301,500)	
<b>Net cash flows from investing activities</b>	<b>(119,786,203)</b>	<b>9,538,000</b>	<b>(110,248,203)</b>	<b>(65,586,325)</b>	<b>44,661,878</b>	
<b>Cash flows from financing activities</b>						
Net increase/(decrease) in cash and cash equivalents	(39,546,005)	(4,952,368)	(44,498,373)	29,070,537	73,568,910	
Cash and cash equivalents at the beginning of the year	121,987,475	-	121,987,475	146,974,002	24,986,527	
<b>Cash and cash equivalents at the end of the year</b>	<b>82,441,470</b>	<b>(4,952,368)</b>	<b>77,489,102</b>	<b>176,044,539</b>	<b>98,555,437</b>	

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Budget Differences

Material differences between budget and actual amounts.

The variances between budget and actual of amounts numeriacly above R250 000 are explained below:

[A1] The municipality billed all the consumers for Services charges are expected. The monthly billings are largely in line with budgeted. However, the municipality also added arrears to current year budgeted figures which resulted in the budget being higher than the actual billing.

[A2] Interest received from debtors was more than budget. Budget was based on expected amounts owed by debtors. Actual interest was more due to non-paymnet of the rates by the debtors of the municipality.

[A3] Licences and permits revenue was higher than budgeted due to more licences issued than anticipated . This includes trade licenses (at the beach and hawkers) and testing of drivers licences.

[A4] Other income is more than budgeted for because the municipality has recognised an income from the savings from retentions during the current year.

[A5] Property rates billed are well less than budgeted. The municipality billed all property rates as per valuation roll. However, budget included expected cash collections which resulted in the variance.

[A6] Grants revenue are more than budgeted for because the municipality has received municipal disaster relief grant in the current year than than the usual grants that the municipality receives.

[A7] Employee related costs was less than the budget because of less overtime worked, few appointments and more resignations during the financial year under review.

[A8] Councillor's remuneration is less than budgeted due to the movements of councillors following the local movement election

[A9] Depreciation and asset impairments is less than the budget because of the assets that were impaired in the current year and the municipality has revised their useful lives of the their assets.

[A10] Finance costs are more than budgeted due to the discounting of the environmental rehabilitation provision as well as the interest incurred on the long service employee benefit obligation which were not budgeted for.

[A11] Debt impairment was more than budgeted due to deterioration in recovery patterns from debtors which influence the impairment allowance.

[A12] Contracted services are more than the budget due to more consultancy services used in the current year, more repairs and maintenance was done in the current year..

[A13] Transfers and subsidies to Port St Johns Development Agency (PJSDA) were less than budgeted due to changes in the Agency's business plans

[A14] General Expenses is less than budgeted for because there is an decrease INEP projects in the current year.

[A15] Loss on disposal of assets increased due to more assets expensed

[A16] Inventory Variances came up due to more stock items written off.

[B1] Receivables from exchange transactions are more than budgeted due to insurance prepaid expense at the year end.

[B2] Consumer debtors and rates debtors were budgeted as one figure. The total actual amounts are less than budgeted because the rate payers and consumers are not paying their accounts and higher impairment had to be recognised.

[B3] Cash and cash equivalentns are more than the budgeted amounts because of the amounts which were received from grants in the current year.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

[B4] Investment Property is higher than actual because in the current year it was noted that there was a Land that was not recognised in the prior year and it was only recognised in the current year.

[B5] PPE budget is less than actual due to depreciation and impairment recognised.

[B6] Payables from exchange transaction are higher than the budgeted amount due to increase in the accruals and trade payables recognised at the year end.

[B7] The Municipality to continue to budget for higher finance lease obligations because the municipality has entered into a new lease for Photocopier Machines.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

Figures in Rand	Note(s)	2023	2022
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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 unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Materiality

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

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.4 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:

#### Receivables

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

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

#### Allowance for slow moving, damaged and obsolete stock

An allowance for slow moving, damaged and obsolete stock is to write down stock to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write-off is included in the operation surplus.

#### 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 key assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available from the landfill site valuers.

Additional disclosure of these estimates of provision are included in note 20 - Provisions.

#### Useful lives and residual values of property, plant and equipment

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

#### Allowance for doubtful debts

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

### 1.5 Investment property

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

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



# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.5 Investment property (continued)

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

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

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

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

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

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	Indefinite
Property - buildings	20 - 30 years

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

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

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

Property interests held under operating leases are classified and accounted for as investment property.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- The nature of the asset.
- The reason(s) why the assets was acquired ; and
- The asset's current use ]]

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

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

### 1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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Item	Depreciation method	Average useful life
Land	Non depreciable	Non depreciable
Buildings	Straight-line	25 years
Plant and machinery	Straight-line	5 - 10 years
Furniture and fixtures	Straight-line	3-5 years
Transport Assets	Straight-line	5 -10 years
Cellular equipment	Straight-line	2 years
IT equipment	Straight-line	3 - 5 years
Infrastructure	Straight-line	5- 60 years
Community assets	Straight-line	5-25 years

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

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

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

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

### 1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.8 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.8 Intangible assets (continued)

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.

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

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

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

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Item	Depreciation method	Average useful life
Indigent software	Straight-line	2 years

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The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

### 1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

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# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.9 Heritage assets (continued)

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

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

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

#### 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.

#### 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.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.10 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.10 Financial instruments (continued)

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.10 Financial instruments (continued)

#### 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 amortised cost

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
Finance lease obligation	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

#### Initial recognition

The municipality recognises a financial asset or financial liability in its unaudited 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 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.

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

- Financial instruments at amortised cost

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

#### Fair value measurement considerations

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.10 Financial instruments (continued)

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short term receivables and payables are not discounted were initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

#### Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

#### Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

#### Derecognition Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;



# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.10 Financial instruments (continued)

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

#### Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

### 1.11 Statutory receivables

#### Identification

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

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

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

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

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

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.11 Statutory receivables (continued)

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Accrued interest

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

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

#### Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

#### 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 is recognised in surplus or deficit.

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

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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### 1.11 Statutory receivables (continued)

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

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

#### Derecognition

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

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

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

### 1.12 Leases

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

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

#### Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

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

#### Operating leases - lessor

Operating lease revenue is recognised as revenue 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.

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.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.13 Inventories

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

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

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

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

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

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

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

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

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

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

### 1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.14 Leases (continued)

#### Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

#### Identification

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

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

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

#### Value in use

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

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

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.14 Leases (continued)

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Discount rate

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.14 Leases (continued)

#### 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.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.14 Leases (continued)

#### Reversal of impairment loss

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

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

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

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

After a reversal of an impairment loss is recognised, the depreciation (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.

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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



# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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### 1.15 Impairment of non-cash-generating assets (continued)

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

#### Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on 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.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.15 Impairment of non-cash-generating assets (continued)

#### Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### 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.

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.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.16 Employee benefits

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

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

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

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

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

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

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

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

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

### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.16 Employee benefits (continued)

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

The municipality does not have any post-employment benefits.

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

The municipality does not have any post-employment benefits.

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

#### Other post retirement obligations

The municipality does not provide for post-retirement benefits.

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

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

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

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.16 Employee benefits (continued)

#### Termination benefits

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

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

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

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

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

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

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

### 1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

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

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

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

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

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

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

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

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.17 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

### 1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.19 Revenue from exchange transactions

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

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

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.19 Revenue from exchange transactions (continued)

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

#### Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest

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

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

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

### 1.20 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.



# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.20 Employee benefits (continued)

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

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

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

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

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

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

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

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

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

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

### Recognition

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

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

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.20 Employee benefits (continued)

#### Measurement

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

#### Taxes (Property rates)

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

Taxation revenue are not grossed up for the amount of tax expenditures.

#### Transfers

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

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

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

#### Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.20 Employee benefits (continued)

#### Fines

Fines are recognised as revenue when the infringement is committed and the fine is issued.

Impairment is recognised using the collection statistics for the period. If the municipality has managed to collect say 20% of traffic fines issued historically, then an impairment is recognised at 80% of all outstanding traffic fine debtors at year end.

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

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

#### Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

#### Grants

Revenue received from conditional grants is recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised, to the extent that the criteria, conditions or obligations have not been met.

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the Municipality has not met the condition, a liability is recognised.

Revenue is measured at the fair value of the consideration received or receivable

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 present 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 will be recognised as revenue.

### 1.21 Investment income

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

### 1.22 Borrowing costs

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

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

### 1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.24 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

### 1.25 Irregular expenditure

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

this Act; or

the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

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

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.26 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.26 Segment information (continued)

#### Measurement

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

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

### 1.27 Budget information

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

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

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

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

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

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

Variances numerically greater than R500 000 and 10% of approved budgets are considered material and explanations for those variances are provided in the note to the financial statements.

### 1.28 Related parties

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

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

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

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

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

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

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

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.28 Related parties (continued)

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

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

### 1.29 Events after reporting date

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

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

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

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

### 1.30 Value-added Tax (VAT)

Revenue, expenses and assets are recognised net of the amounts of Value Added Tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position. The Municipality is registered at SARS for VAT on the payment basis. VAT control debit and credit accounts (recognised on transaction(s) date before payments) are presented on net basis and they do not form part of financial instruments. Once payments are received or paid, the VAT receivable or payable from/(to) SARS is presented on a net basis and is accounted as a statutory receivable under GRAP 108 or statutory payable in line with GRAP 19.

### 1.31 Unpaid Conditional Grants and Receipts

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

Additional text

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

2023

2022

### 2. New standards and interpretations

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2023 or later periods:

##### **Guideline: Guideline on Accounting for Landfill Sites**

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance .

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline .

The impact of this standard is currently being assessed.

##### **GRAP 25 (as revised): Employee Benefits**

###### **Background**

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS@ 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board@ has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14@ ) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

###### **Key amendments to GRAP 25**

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

The effective date of these revisions is for years beginning on or after 01 April 2023.

The municipality expects to adopt the revisions for the first time in the 2023/2024 annual financial statements.

The impact of this revisions is currently being assessed.

#### **IGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction**

##### **Background**

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions is for years beginning on or after 01 April 2023.

The municipality expects to adopt the revisions for the first time in the 2023/ 2024 annual financial statements .

The impact of this revisions is currently being assessed.

#### **Guideline: Guideline on the Application of Materiality to Financial Statements**

The objective of this guideline. The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 104 (as revised): Financial Instruments**



# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is for years beginning on or after 01 April 2025

The municipality expects to adopt the revisions for the first time in the 2025/ 2026 annual financial statements .

The impact of this standard is currently being assessed.

### iGRAP 21: The Effect of Past Decisions on Materiality

#### Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called "items").

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation have not yet been set. April 1, 2023.

The municipality expects to adopt the interpretation for the first time in the 2023/2024 annual financial statements .

The impact of this interpretation is currently being assessed.

### GRAP 2020: Improvements to the standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

#### GRAP 5 – Borrowing Costs

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
  - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

#### GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

#### GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading "Classification of property as investment property" (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
  - Added heading "Guidance on initially measuring self-constructed investment property at fair value"
  - Added clarification that investment property is measured at fair value at earliest of:
    - o completion of construction or development; or
    - o when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
  - Change in use involves an assessment on whether:
    - o property meets, or ceases to meet definition of investment property and
    - o evidence exists that a change in use has occurred
  - List of examples of a change in use is regarded as non-exhaustive

#### GRAP 17 – Property, Plant and Equipment

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
  - Land has an unlimited useful life and cannot be consumed through its use

#### GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
  - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
  - If an entity obtains management services from another entity ("the management entity") the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity's employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
  - Management services are services where employees of management entity perform functions as "management" as defined

#### GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
  - Primary financial statements amended to "financial statements" or "face of the financial statements"

#### GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
  - Both under cost model or revaluation model

#### GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets
  - Disclose carrying amount of each material service concession asset recognised at the reporting date

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### GRAP 37 – Joint Arrangements

- Application guidance clarified
  - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

#### GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
  - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

#### Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is April 1, 2023.

The municipality expects to adopt the improvements for the first time in the 2023/2024 annual financial statements.

It is unlikely that the improvements will have a material impact on the municipality's annual financial statements.

#### GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

#### Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

#### Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

#### Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

#### Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after April 1, 2025.

The municipality expects to adopt the amendment for the first time in the 2025/2026 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>3. Inventories</b>		
Consumable stores	1,554,612	943,758
INEP completed Projects [2]	60,918,001	60,918,001
	<b>62,472,613</b>	<b>61,861,759</b>

### 3.1 Inventory is categorised as follows

Construction Material [1]	142,447	201,833
Protective and cleaning material	25,119	60,971
Gardening	213,076	31,726
Mechanical tools and spare parts	1,139,230	568,492
Fuel and Oil	24,276	80,736
COVID 19 equipment	10,484	-
	<b>1,554,632</b>	<b>943,758</b>

Inventories recognised as an expense during the year	1,554,632	1,652,764
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[1] Construction materials comprise of items required to repair and maintain road infrastructure such as cement, concrete pipes, paint and gabions. The increase is due to purchases towards year end in anticipation of repair works to be done after year end.

[2] These relate to rural electrification projects that have been completed by the municipality not yet handed over to Eskom.

### Inventory pledged as security

No inventory was pledged as security.

### Inventory losses/ write-downs or (gains)

Stock count variances -[(gains/losses)]	-	1,157,601
Inventory write-down to net replacement cost	98,132	317,517

The assessment of carrying inventory at the lower of its cost or current replacement cost was carried out and resulted in a write-down amounting to R98 132 (2022: R317 517)

## 4. Receivables from exchange transactions

Expenditure paid in advance [1]	1,426,239	1,641,836
Sundry debtors [2]	32,319	32,319
Suspense account (ABSA) [3]	33,801	33,801
	<b>1,492,359</b>	<b>1,707,956</b>

Other non-financial asset receivables included in receivables from exchange transactions above are as follows:

Expenditure paid in advance	1,426,239	1,641,826
<b>Financial asset receivables included in receivables from exchange transactions above</b>	<b>66,120</b>	<b>66,130</b>

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>4. Receivables from exchange transactions (continued)</b>		
<b>Total receivables from exchange transactions</b>	<b>1,492,359</b>	<b>1,707,956</b>

[1] These relate to insurance premiums and software licenses which are paid annually in advance. At the end of the year, the municipality had not yet utilised all the expenditure. Included in the amount for expenditure paid in advance is an amount of R20 378.44 that was paid in advance for accomodation and an amount of R175 588 that was paid in advance for fuel and oil as at 30 June 2023.

[2] Sundry debtors are composed of overpayments of councillors emanating from prior years.

[3] ABSA relates to the amounts fraudulently deducted from the municipal bank account in prior years. The municipality has initiated the process of consequent management with the aim of recovering the debt.

### Statutory receivables general information

#### Statutory Receivables Statutory Receivables

There are no statutory receivables included in receivables from exchange transactions.

#### Trade and other receivables pledged as security

There were no receivables from exchange transactions pledged as security.

### 5. Receivables from non-exchange transactions

Fines	935,275	537,867
Public contributions and subsidies	1,576,125	-
Consumer debtors - Rates	6,219,890	4,604,095
	<b>8,731,290</b>	<b>5,141,962</b>

#### Statutory receivables included in receivables from non-exchange transactions above are as follows:

Fines	935,275	537,867
Property rates	6,219,890	4,604,095
Grants	1,576,125	-
	<b>8,731,290</b>	<b>5,141,962</b>

<b>Total receivables from non-exchange transactions</b>	<b>8,731,290</b>	<b>5,141,962</b>
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# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 5. Receivables from non-exchange transactions (continued)

#### Statutory receivables general information

##### Transaction(s) arising from statute

The Municipality charges property rates for all qualifying rate payers within the jurisdiction of Port St Johns in terms of the Municipal Property Rates Act 06 of 2004.

##### Determination of transaction amount

The amount levied as property rates are determined by applying the tariff (approved annually by council) on the market value of the property in the valuation roll. Rebates are deducted for qualifying pensioners and individuals. Billing is done annually in July.

##### Interest or other charges levied/charged

Interest is charged on property rates receivables at a rate of 15% (2022:15%) per annum.

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

The municipality continuously monitors consumers and identified groups by reference to annual payment rates and incorporates this information into credit risk control. No external credit rating is performed.

##### Statutory receivables impaired

Details of property rates impairment are disclosed in note 7.

No receivables from non-exchange have been pledged as security for any liabilities of the municipality.

The credit quality of receivables from non-exchange transaction that are neither past nor due are not impaired can be assessed for indicators of impairment. The municipality considers that the above financial assets that are impaired at each of the reporting dates under review are good credit quality. The municipality continuously monitors consumers and identified groups by reference to annual payment rates and incorporates this information into its credit risk control. No external credit rating is performed.

None of the financial assets that are fully performing have been renegotiated in the last year.

#### Other Disclosures

Consumer receivables from rates are billed annually. Interest is charged on overdue consumer receivables at a rate of 15% (2022:15%) per annum.

No interest is charged on overdue traffic fines debtors.

The municipality enforces its approved credit control policy to ensure the recovery of receivables.

Included in the receivables is amounts relating to equitable share and Small town revitalization that were allocated to the municipality and not yet received at year end.

### 6. VAT receivable

VAT	1,213,538	2,737,823
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VAT is payable to SARS on the receipt basis. No interest is payable to SARS if the VAT is paid over timeously. However, interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are made before the due date.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>6. VAT receivable (continued)</b>		
<b>Combined</b>		
Creditors VAT Provisional	1,044,404	1,279,050
Debtors VAT Provisional	(1,298,309)	(1,181,242)
Cash basis balance	1,467,443	2,399,511
<b>Subtotal</b>	<b>1,213,538</b>	<b>2,497,319</b>
<b>Cash Basis</b>		
VAT Control	1,467,443	2,399,511
<b>Subtotal</b>	<b>1,467,443</b>	<b>2,399,511</b>
<b>Entity as custodian</b>		
The nature of the entity's custodial responsibility, including the legislation or similar means that establishes the custodial responsibility over the resources, are as follows: [State details]		
Custodian information is included in other public documents issued in conjunction with the financial statements, please refer to [add details of cross reference].		
<b>cash basis</b>		
VAT Input	(1,989,038)	1,989,038
VAT Output	6,181	(6,181)
VAT Control	2,399,511	-
	<b>416,654</b>	<b>1,982,857</b>
<b>7. Consumer debtors</b>		
<b>Gross balances</b>		
Refuse	13,828,209	12,345,407
Housing rental	161,616	161,616
	<b>13,989,825</b>	<b>12,507,023</b>
<b>Less: Allowance for impairment</b>		
Refuse	(12,839,621)	(11,154,754)
Housing rental	(161,616)	(161,616)
	<b>(13,001,237)</b>	<b>(11,316,370)</b>
<b>Net balance</b>		
Refuse	988,588	1,190,653
<b>Refuse</b>		
Current (0 -30 days)	199,017	187,353
31 - 60 days	199,801	186,117
61 - 90 days	197,616	184,136
91 - 120 days	195,577	183,194
121 - 365 days	13,036,198	11,604,607
	<b>13,828,209</b>	<b>12,345,407</b>

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>7. Consumer debtors (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Residential</b>		
Current (0 -30 days)	42,295	39,367
31 - 60 days	41,892	38,881
61 - 90 days	41,583	38,576
91 - 120 days	41,081	38,373
121 - 365 days	3,043,456	2,659,078
	<b>3,210,307</b>	<b>2,814,275</b>
<b>Business</b>		
Current (0 -30 days)	94,670	87,274
31 - 60 days	94,128	86,837
61 - 90 days	92,581	85,484
91 - 120 days	92,057	85,075
121 - 365 days	5,064,466	4,251,738
	<b>5,437,902</b>	<b>4,596,408</b>
<b>National and provincial government</b>		
Current (0 -30 days)	62,053	60,712
31 - 60 days	63,780	60,398
61 - 90 days	63,452	60,076
91 - 120 days	62,439	59,746
121 - 365 days	4,928,276	4,693,790
	<b>5,180,000</b>	<b>4,934,722</b>
<b>Total</b>		
Current (0 -30 days)	199,017	187,353
30 -60 days	199,801	186,117
61 - 90 days	197,616	184,136
91 - 120 days	195,577	183,194
121 - 365 days	13,036,198	11,604,607
	13,828,209	12,345,407
Less: Allowance for impairment	(12,839,621)	(11,316,370)
	<b>988,588</b>	<b>1,029,037</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(11,316,370)	(10,056,506)
Contributions to allowance	(1,684,867)	(1,259,864)
	<b>(13,001,237)</b>	<b>(11,316,370)</b>

### Consumer debtors pledged as security

No consumer debtors have been pledged as security for any liabilities of the municipality



# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>7. Consumer debtors (continued)</b>		
<b>Credit quality of consumer debtors</b>		
<p>The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed for indicators of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to annual payment rates and incorporates this information into its credit risk control. No external credit rating is performed.</p> <p>None of the financial assets that are fully performing have been renegotiated in the last year.</p> <p>The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 35). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The impairment allowance recognised in these financial statements is determined using past collection trends with the expected future cash flows being discounted to reflect the time value of money.</p> <p>The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security.</p>		
<b>8. Consumer debtors disclosure</b>		
<b>Gross balances</b>		
Consumer debtors - Rates	56,215,038	46,848,477
<b>Less: Allowance for impairment</b>		
Consumer debtors - Rates	(49,995,148)	(42,244,382)
<b>Net balance</b>		
Consumer debtors - Rates	6,219,890	4,604,095
<b>Rates</b>		
Current (0 -30 days)	644,571	582,654
31 - 60 days	657,963	581,071
61 - 90 days	656,761	571,755
91 - 120 days	653,149	572,100
121 - 365 days	53,331,647	52,993,398
	<b>55,944,091</b>	<b>55,300,978</b>
<b>Residential</b>		
Current (0 -30 days)	197,503	165,243
31 - 60 days	196,014	163,989
61 - 90 days	195,481	163,748
91 - 120 days	192,760	163,411
121 - 365 days	15,280,662	11,992,086
	<b>16,062,420</b>	<b>12,648,477</b>
<b>Business</b>		
Current (0 -30 days)	209,400	202,883
31 - 60 days	208,775	202,560
61 - 90 days	208,129	202,246
91 - 120 days	207,260	203,428
121 - 365 days	19,046,653	19,038,198
	<b>19,880,217</b>	<b>19,849,315</b>

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>8. Consumer debtors disclosure (continued)</b>		
<b>National and provincial government</b>		
Current (0 -30 days)	237,668	214,537
31 - 60 days	253,174	214,522
61 - 90 days	253,151	205,761
91 - 120 days	253,128	205,261
121 - 365 days	19,004,373	21,963,201
	<b>20,001,494</b>	<b>22,803,282</b>
<b>Consumer debtors -rates</b>		
Current (0 -30 days)	644,571	582,654
31 - 60 days	657,963	581,071
61 - 90 days	656,761	571,755
91 - 120 days	653,149	572,100
>121 days	53,331,688	52,993,485
Subtotal	55,944,132	55,301,065
Less: Allowance for impairment	(49,995,148)	(42,244,382)
	<b>5,948,984</b>	<b>13,056,683</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(42,244,382)	(38,119,941)
Contributions to allowance	(7,750,766)	(4,124,441)
	<b>(49,995,148)</b>	<b>(42,244,382)</b>

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note 36). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The impairment allowance recognised in these financial statements is determined using past collection trends with the expected future cash flows being discounted to reflect the time value of money. The maximum exposure to credit risk at the reporting date is the fair value of each receivable mentioned above. The municipality does not hold any collateral as security.

### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,000	6,000
Bank balances	-	1,007,261
Short-term deposits	152,966,925	120,974,215
	<b>152,972,925</b>	<b>121,987,476</b>

#### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

<b>Credit rating</b>		
Standard Bank limited-zaA-1+	-	121,981,476
First National Bank	152,966,925	-
	<b>152,966,925</b>	<b>121,981,476</b>

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2023	June 30, 2022	June 30, 2021
STD Bank - current account (1)	-	1,007,261	4,340,113	-	1,007,261	4,340,113
STD Bank - Salaries call account -9569-001	-	58,856,946	33,081,364	-	58,856,946	33,081,364
STD Bank -Repairs call account -9569-003	-	6,999,134	780,539	-	6,999,134	780,539
STC Bank account -FMG9569-006	-	6,448,621	3,585,980	-	6,448,621	3,585,980
STD Bank MIG call account 9569-008	-	310,840	5,470,928	-	310,840	5,470,928
STD Bank LED call account 9569-007	-	90,418	13,736	-	90,418	13,736
STD Bank -traffic call account - 9569-004	-	42,865,927	97,927,462	-	42,865,927	97,927,462
STD Bank - Plant call account - 9569-002	-	1,466,053	32,284	-	1,466,053	32,284
STD Bank -EPWP call account - 9569-011	-	3,571,504	382,161	-	3,571,504	382,161
STD BANK INEP call account - 9569-010	-	5,906	1,007,163	-	5,906	1,007,163
STD bank -DSRAC call account -9569-009	-	358,866	346,272	-	358,866	346,272
FNB DSRAC call account 63008236829	3,819,527	-	-	3,819,527	-	-
FNB EPWP call account 63008236043	3,650,146	-	-	3,650,146	-	-
FNB Disaster call account 63008238081	23,135,503	-	-	23,135,503	-	-
FNB INEP call account 63008236407	30,455	-	-	30,455	-	-
FNB MIG Call account 63008237778	13,736,483	-	-	13,736,483	-	-
FNB Alien plant Call Account 63008235326	1,028,871	-	-	1,028,871	-	-
FNB Repairs call account 63008239790	7,450,047	-	-	7,450,047	-	-
FNB salaries Account 63008240870	14,356,113	-	-	14,356,113	-	-
FNB Traffic call account 63008239261	74,397,725	-	-	74,397,725	-	-
FNB FMG call Account 63008238750	6,864,068	-	-	6,864,068	-	-
FNB Main Account 63007016735	4,497,987	-	-	4,497,987	-	-
<b>Total</b>	<b>152,966,925</b>	<b>121,981,476</b>	<b>146,968,002</b>	<b>152,966,925</b>	<b>121,981,476</b>	<b>146,968,002</b>

(1) The municipality opened an FNB account on July 2022.

**Port St Johns Local Municipality**  
Annual Financial Statements for the year ended June 30, 2023  
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**10. Investment property**

	2023		2022			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	13,792,061	(660,525)	13,131,536	13,792,061	(529,675)	13,262,386

**Reconciliation of investment property - 2023**

Investment property	Opening balance	Depreciation	Total
	13,262,386	(130,849)	13,131,536

**Reconciliation of investment property - 2022**

Investment property	Opening balance	Depreciation	Total
	13,429,587	(167,201)	13,262,386

**Pledged as security**

None of the above investment property has been pledged as security

**Investment property held for sale**

Included in the investment property disclosed above, is certain property held pending finalisation of sale to the OR Tambo District Municipality. This property was disposed with conditions. The property has not yet been transferred.

The land portion of the investment property does not depreciate even though the policy of the Municipality is to carry investment property at cost less accumulated depreciation and accumulated impairment

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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### 10. Investment property (continued)

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.

The land portion of the investment property does not depreciate even though the policy of the Municipality is to carry investment property at cost less accumulated depreciation and accumulated impairment.

**Port St Johns Local Municipality**  
Annual Financial Statements for the year ended June 30, 2023  
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**11. Property, plant and equipment**

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	20,094,878	(5,527,817)	14,567,061	19,760,877	(4,693,013)	15,067,864
Cellular equipment	706,724	(706,724)	-	706,724	(498,182)	208,542
Community	44,774,206	(14,897,376)	29,876,830	44,575,456	(12,837,399)	31,738,057
Computer Equipment	8,043,277	(5,100,442)	2,942,835	6,728,180	(3,019,670)	3,708,510
Furniture and fixtures	3,269,168	(2,749,906)	519,262	3,199,169	(2,515,448)	683,721
Infrastructure	707,045,099	(422,907,570)	284,137,529	680,941,235	(386,405,307)	294,535,928
Work in progress	113,240,463	-	113,240,463	59,985,238	-	59,985,238
Land	73,876,552	-	73,876,552	73,876,552	-	73,876,552
Plant and machinery	52,288,864	(43,944,475)	8,344,389	48,605,177	(40,727,165)	7,878,012
Transport assets	9,821,474	(6,777,632)	3,043,842	9,466,349	(7,484,087)	1,982,262
<b>Total</b>	<b>1,033,160,706</b>	<b>(502,611,942)</b>	<b>530,548,763</b>	<b>947,844,957</b>	<b>(458,180,271)</b>	<b>489,664,686</b>

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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

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

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Buildings	15,067,864	334,000	-	-	(834,803)	-	14,567,061
Cellular equipment	208,542	-	-	-	(208,542)	-	-
Community	31,738,057	198,750	-	-	(2,059,977)	-	29,876,830
Computer Equipment	3,708,510	1,315,099	-	-	(2,080,773)	-	2,942,836
Furniture and fixtures	683,721	69,998	(94,130)	-	(234,458)	-	519,262
Infrastructure	294,535,928	-	-	26,206,035	(31,614,620)	(4,989,814)	284,137,529
Work in progress	59,985,238	79,461,260	-	(26,206,035)	-	-	113,240,463
Land	73,876,552	-	-	-	-	-	73,876,552
Motor vehicles	1,982,262	2,609,043	-	-	(1,547,463)	-	3,043,842
Plant and machinery	7,878,012	3,683,686	-	-	(3,212,123)	-	8,344,389
	<b>489,664,686</b>	<b>87,671,836</b>	<b>(94,130)</b>	<b>-</b>	<b>(41,792,759)</b>	<b>(4,989,814)</b>	<b>530,548,763</b>

**Port St Johns Local Municipality**  
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**11. Property, plant and equipment (continued)**  
**Reconciliation of property, plant and equipment - 2022**

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Total
Buildings	15,840,715	50,000	-	-	(822,851)	15,067,864
Cellular equipment	561,904	-	-	-	(353,362)	208,542
Community Asset	17,417,040	12,190,644	4,127,070	-	(1,996,697)	31,738,057
Computer equipment	2,543,181	3,248,165	-	-	(1,460,705)	3,708,510
Furniture and fixtures	600,403	702,737	-	-	(619,419)	683,721
Infrastructure	293,921,554	-	80,821,574	-	(80,207,200)	294,535,928
Work in progress	73,278,503	77,894,604	(84,627,739)	(6,560,130)	-	59,985,238
Land	73,876,552	-	-	-	-	73,876,552
Motor vehicles	3,690,803	-	-	-	(1,708,541)	1,982,262
Plant and machinery	26,829,194	1,834,106	-	-	(20,785,288)	7,878,012
	<b>508,559,849</b>	<b>95,920,256</b>	<b>320,905</b>	<b>(6,560,130)</b>	<b>(107,954,063)</b>	<b>489,664,686</b>

**Pledged as security**

There were no assets held security for any of the municipal liabilities.

**Assets subject to finance lease (Net carrying amount)**

Cellular equipment	208,542
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**Property, plant and equipment in the process of being constructed or developed**

In the current year, the municipality has identified 3 (Three) projects that are taking a significantly longer period of time to complete than expected. The reported projects are Gabelana to Nqohekwana access, Nyakeni Access Road and Mbanjana Access Road.

Gabelana to Nqohekwana access was started in 2017/18 financial year, Nyakeni Access road was started in 2020/21, Mbanjana Access Road was started in 2020/21 financial year, these projects are still in progress.



# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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

#### Reconciliation of Work-in-Progress 2023

	Infrastructure (Includes Electrification projects)	Total
Opening balance	59,985,238	59,985,238
Additions/capital expenditure	79,461,260	79,461,260
Transferred to completed items	(26,206,035)	(26,206,035)
	<b>113,240,463</b>	<b>113,240,463</b>

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

	Infrastructure (Includes Electrification projects)	Total
Opening balance	73,278,503	73,278,503
Additions/capital expenditure	77,894,604	77,894,604
Transfer to inventory	(6,560,487)	(6,560,487)
Transferred to completed items	(84,627,385)	(84,627,385)
	<b>59,985,235</b>	<b>59,985,235</b>

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

Furniture and office equipment	41,065	347,256
Infrastructure	3,889,459	2,353,630
IT equipment	196,333	413,435
Transport assets	1,376,365	3,387,016
Plant and machinery	5,154,624	-
Community assets	438,684	895,226
	<b>11,096,530</b>	<b>7,396,563</b>

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.

**Port St Johns Local Municipality**  
Annual Financial Statements for the year ended June 30, 2023  
**Notes to the Annual Financial Statements**

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**12. Intangible assets**

	2023		2022			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Indigent Software	688,850	(541,137)	147,713	688,850	(196,948)	491,902

**Reconciliation of intangible assets - 2023**

Indigent software	Opening balance	491,902	Amortisation	(344,189)	Total	147,713
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**Reconciliation of intangible assets - 2022**

Indigent software	Opening balance	688,850	Additions	688,850	Amortisation	(196,948)	Total	491,902
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**Port St Johns Local Municipality**  
Annual Financial Statements for the year ended June 30, 2023  
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**13. Heritage assets**

	2023		2022	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
			Accumulated impairment losses	Carrying value
Municipal Jewellery	123,700	-	123,700	123,700
				-
				123,700

**Reconciliation of heritage assets 2023**

	Opening balance	Total
Municipal Jewellery	123,700	123,700

**Reconciliation of heritage assets 2022**

	Opening balance	Total
Municipal Jewellery	123,700	123,700

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>14. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	791,018	1,082,123
- in second to fifth year inclusive	659,182	1,450,200
	1,450,200	2,532,323
less: future finance charges	(213,862)	(352,571)
<b>Present value of minimum lease payments</b>	<b>1,236,338</b>	<b>2,179,752</b>
<b>Present value of minimum lease payments due</b>		
- within one year	626,262	811,578
- in second to fifth year inclusive	610,075	1,368,174
	<b>1,236,337</b>	<b>2,179,752</b>
Non-current liabilities	610,075	1,236,337
Current liabilities	626,263	943,415
	<b>1,236,338</b>	<b>2,179,752</b>

It is municipality policy to lease certain cellular equipment under finance leases.

The average lease term is 2 years and the average effective borrowing rate was 7% (2022: 7%)

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 11.

The municipality leases 10 photocopier machines from Xerox for a period of three years. The municipality entered into the contract in April 2022. The lease payment is fixed amount for each photocopier machine and 0% escalation.

### 15. Payables from exchange transactions

Trade payables [3]	18,815,395	9,454,203
Payments received in advance [1]	5,760,224	5,760,224
Unallocated Deposits [4]	3,188,750	2,871,670
Retention	7,190,411	10,926,252
Accrued leave pay	8,093,405	7,978,715
Accrued bonus	1,808,584	1,809,590
Payroll accruals	789,387	608,317
OR Tambo advance [2]	6,132,284	6,132,284
	<b>51,778,440</b>	<b>45,541,255</b>

[1] This refers to customer debtors with credit balances'

[2] An amount of R6 132 284 was advanced to the municipality by the OR District Municipality in exchange for land. The land is yet to be transferred to the District. There is no interest to the advanced payment.

[3] This amounts to trade payables and accruals, amounts owing to the suppliers at year end.

[4] This relates to monies received by the municipality that are not yet allocated because some could not be traced.

### 16. Consumer deposits

Refuse	61,000	61,000
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# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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### 17. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	4,613,015	4,708,000
Non-current liabilities	4,166,549	4,004,000
Current liabilities	446,466	704,000
	<b>4,613,015</b>	<b>4,708,000</b>

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

Opening balance	4,708,000	4,333,000
Benefits paid	(289,973)	(506,248)
Net expense recognised in the statement of financial performance	194,988	881,248
	<b>4,613,015</b>	<b>4,708,000</b>

Net expense recognised in the statement of financial performance

Current service cost	519,000	562,000
Interest cost	472,000	366,000
Actuarial (gains) losses	(796,012)	(46,752)
	<b>194,988</b>	<b>881,248</b>

Calculation of actuarial gains and losses

Basis changes : Increase in net discount rates	(154,361)	(72,000)
Salary increase higher than assumed	344,942	(111,000)
Changes to employee profile different from assumed	(581,695)	156,000
Actual benefits vesting, lower than expected	(404,898)	(19,752)
	<b>(796,012)</b>	<b>(46,752)</b>

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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### 17. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.33 %	10.81 %
Expected increase in salaries	6.21 %	7.33 %
Average Retirement Age: Males (Years)	62.00 %	62.00 %
Average Retirement Age : Females (Years)	62.00 %	62.00 %

#### Discount Rate

The discount rate reflects the estimated timing of benefit payments which is oftenly achieved by applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payment and the currency in which the benefits are to be paid. The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds.

The cashflow weighted duration of the liability is approximately 8.0 years (2022: 8.0 years). The valuation, therefore used the nominal yield curve for SA government bonds with the duration of 6 years as at 30 June 2023. The resultant discount rate was 10.33% (2022: 10.81%). These rates are deduced from the interest rate data obtained from the JSE after the market close on 30 June 2023.

#### Future salary inflation

The general inflation assumption was used to estimate the base rate for determining the rate at which the future salaries will increase. The assumption was that salary inflation will exceed general inflation by about 1.0% per annum. The salary inflation rate was therefore set at 6,21% (2022 : 7.33%) per annum.

#### Pre-retirement mortality

The valuation assumed that the pre-retirement mortality will be in line with the SA85-90 ultimate table, adjusted down for females lives. This assumption is in line with the previous assumption used.

#### Assumed Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at the age of 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. ]

### 18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

<b>Unspent conditional grants and receipts</b>		
Expanded Public Works Programme [3]	121,459	532,844
Finance Management Grant	-	1,666,404
Integrated National Electrification Programme Grant	1,576	30,000
Department of Sports, Recreation, Arts and Culture	289,578	-
Municipal Infrastructure Grant	71,539	1,471,539
Eradication of Alien Plants	186,951	1,405,705
Disaster Relief grant	20,534,563	-
	<b>21,205,666</b>	<b>5,106,492</b>

#### Movement during the year

Balance at the beginning of the year	5,106,492	11,481,085
Amounts refunded to Treasury	(2,530,000)	(4,664,998)
Additions during the year	86,354,000	51,359,000
Amount transfer to revenue	(67,724,826)	(53,068,595)
	<b>21,205,666</b>	<b>5,106,492</b>

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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### 18. Unspent conditional grants and receipts (continued)

[1] See note 27 for reconciliation of grants from National / Provincial Government.

[2] These amounts are invested in a ring-fenced investment until utilised. Refer note 27.

[3] The EPWP project was funded by two grantor in the prior year namely : The National Treasury and the Provincial Department of Transport. The funding from the former was fully utilised in the prior year while that of the latter had no expenditure in the prior year as detailed below:

Description - 2022	National Treasury	Department of Transport	Total
Opening balance	12,979	519,865	532,844
Receipts	-	1,593,000	1,593,000
Conditions met (transferred to revenue)	-	(1,788,909)	(1,788,909)
	<b>12,979</b>	<b>323,956</b>	<b>336,935</b>

### 19. Operating lease liability

Non-current liabilities	4,405,276	2,398,837
Current liabilities	2,264,628	1,773,423
	<b>6,669,904</b>	<b>4,172,260</b>

The Municipality leases land from Transnet for a period of 30 years Effective from 1 January 2006. The lease payment is R5 000 per month with annual escalation of 9%. No contingent rent is payable. The lease is not renewable at the end of the lease term.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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### 20. Provisions

#### Reconciliation of provisions - 2023

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	11,042,383	(2,308,204)	1,171,431	9,905,610

#### Reconciliation of provisions - 2022

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	15,053,689	(5,339,568)	1,328,262	11,042,383

#### Key financial assumptions used

	Column heading	Column heading	2023	2022
Discount rate (D)	-	-	7	13
Consumer price inflation (C)	-	-	11	7
Net discount rate $((1+D)/(1+H)-1)$	-	-	4	5
	-	-	-	-

The landfill site provision relates to the costs of rehabilitating the landfill site when it reaches the end of useful in 2045 and has been discounted to reflect its present value.

The landfill site is expected to be used for the next twenty-three (22) years and it is estimated that R28 197 405 (2022: 27 765 829) will be spent to rehabilitate the site.

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire duration applicable in the future. The annualised long-term discount rate as at 30 June 2023 was 12.62% p.a. The consumer price inflation of 7.39% p.a. was obtained from the differential between the averages of the Nominal Bond of 12.62% p.a. and the Real Bond of 4.87% p.a. (Zero Yield Curves).

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2023

### 21. Service charges

Refuse removal	1,084,860	1,043,132
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### 22. Rental of facilities and equipment

Premises		
Lease rental income	146,476	118,057
Rental - Halls	15,897	18,262
	<b>162,373</b>	<b>136,319</b>
Premises	162,373	136,319
Garages and parking	-	-
Facilities and equipment	-	-

The lease rentals are rentals received from renting out investment properties erf 398 and erf 183 which were leased out for the full year in the current year.

### 23. Licences and permits

Trading licences	61,564	56,062
Other Licences [1]	466,215	934,838
	<b>527,779</b>	<b>990,900</b>



# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>23. Licences and permits (continued)</b>		
[1] Other licences is made up of Learners' drivers licences and community licenses		
<b>24. Other income</b>		
Plan and tender documents fees	96,259	125,366
Sundry Income [1]	4,927,991	1,996,461
Grave Sites	6,278	34,891
Commission received	136,654	132,447
Greenest town [2]	-	300,000
Claims Received [3]	760,262	-
	<b>5,927,444</b>	<b>2,589,165</b>

[1] The sundry income relates the decrease in landfill site provision amounting to R2 308 204 (2022: R1 996 461) that is accounted as as a gain in line with IGRAP2 requirements. Included in the Sundry income is an amount of R2 619 787 that relate retention monies that were saved from the completed projects.

[2] This relates to prize money that the municipality won in the Green City Competition that it participated in the prior year .

[3] This relates to insurance claims received

### 25. Investment revenue

<b>Interest revenue</b>		
Bank	10,585,684	5,831,641
	<b>10,585,684</b>	<b>5,831,641</b>

### 26. Property rates

#### Rates received

Property rates	11,346,366	10,978,259
----------------	------------	------------

#### Valuations

Residential	197,483,000	197,483,000
Commercial	158,737,000	158,737,000
State	489,360,998	489,360,998
Municipal	40,107,500	40,107,500
Small holdings and farms	64,634,297	64,634,297
Vacant Plots	68,478,000	68,478,000
Place of worship	7,232,000	7,232,000
	<b>1,026,032,795</b>	<b>1,026,032,795</b>

Valuations on land and buildings are performed every five (5) years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. A supplementary valuation was done in the 2021-2022 financial year.

Rates are levied on an annual basis. Interest at 15% per annum (2022: 15%)

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>27. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable share	182,985,000	168,139,999
Expanded Public Works Programme	1,993,385	1,593,000
Finance Management Grant	3,216,404	1,501,033
Local Government Sector Education and Training Authority	96,511	-
Department of Sports, Recreation, Arts and Culture	260,422	550,000
Eradication of alien plants project	1,218,754	4,360,098
	<b>189,770,476</b>	<b>176,144,130</b>
<b>Capital grants</b>		
Integrated National Electrification Programme	8,878,424	6,390,000
Municipal Infrastructure Grant	38,862,000	38,674,461
Small Town Revitalisation	20,000,000	21,399,586
Disaster Relief Grant	13,295,437	-
	<b>81,035,861</b>	<b>66,464,047</b>
	<b>189,770,476</b>	<b>176,144,130</b>
	<b>81,035,861</b>	<b>66,464,047</b>
	<b>270,806,337</b>	<b>242,608,177</b>

### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	67,724,820	53,068,592
Unconditional grants received	203,081,511	189,539,585
	<b>270,806,331</b>	<b>242,608,177</b>

### Equitable Share

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

All registered indigents receive a monthly subsidy of 50kWH of electricity (2022: 50kWH) which is funded from the the equitable share grant. Refuse removal services for a tariff of 100% of amount billed (2022: 100%) per month are offered for free to the indigent communities of Port St Johns. The indigent also receive gas and gas stoves to all 20 wards per financial year..

### Local Government Sector Education and Training Authority

Balance unspent at beginning of year	-	71,626
Amounts refunded to National Treasury	-	(71,626)
Current year receipts	96,511	-
	<b>96,511</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 18).

The Purpose of this discretionary grant is to meet the sector needs as set out in the sector skills plan (SSP) and the priorities set out in the national skills development strategy (NSDS 111). In doing so, the local government is looking for suitable candidates to partner with promote the development of the skills in the local government sector.

### Expanded Public Works Programme

Balance unspent at beginning of year	532,844	532,844
Current-year receipts	1,582,000	1,593,000
Conditions met - transferred to revenue	(1,993,385)	(1,593,000)
	<b>121,459</b>	<b>532,844</b>

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 27. Remuneration of councilors (continued)

Conditions still to be met - remain liabilities (see note 18).

The purpose of the grant is to incentives municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas..

#### Finance Management Grant

Balance unspent at beginning of year	1,666,404	532,437
Amounts refunded to National Treasury	(1,100,000)	(15,000)
Current Year receipts	2,650,000	2,650,000
Conditions met- transferred to revenue	(3,216,404)	(1,501,033)
	<b>-</b>	<b>1,666,404</b>

Conditions still to be met - remain liabilities (see note 18).

To promote and support reforms in financial management by building capacity in municipalities to implement the municipal Finance Management Act.

#### Integrated National Electrification Programme Grant

Balance unspent at beginning of year	30,000	-
Amount refunded to National Treasury	(30,000)	6,420,000
Current Year Receipt	8,880,000	-
Conditions met - transferred to revenue	(8,878,424)	(6,390,000)
	<b>1,576</b>	<b>30,000</b>

Conditions still to be met - remain liabilities (see note 18).

The grant is received from National government for electrification projects within the previously disadvantage communities of the municipality.

#### Department of Sports, Recreation , Arts and Culture

Balance unspent at beginning of year	-	978,372
Amounts refunded to National Treasury	-	(978,372)
Current year- receipts	550,000	550,000
Conditions met - transferred to revenue	(260,422)	(550,000)
	<b>289,578</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 18).

The purpose of the grant is to maintain existing library facilities, assist in supervising and administration of staff in public libraries, establish library structures , support library awareness programme and collect revenue from public libraries and deposit into municipal bank accounts..

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	1,471,539	-
Current-year receipts	38,862,000	40,146,000
Conditions met - transferred to revenue	(38,862,000)	(38,674,461)
Amount transferred to national treasury	(1,400,000)	-
	<b>71,539</b>	<b>1,471,539</b>

Conditions still to be met - remain liabilities (see note 18).

The purpose of this grant is to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprise and social institutions, servicing poor communities..

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>27. Remuneration of councilors (continued)</b>		
<b>Eradication of alien plants project</b>		
Balance unspent at beginning of year	1,405,705	5,765,803
Current-year receipts	1,200,000	-
Conditions met - transferred to revenue	(1,218,750)	(4,360,098)
	<b>1,386,955</b>	<b>1,405,705</b>

Conditions still to be met - remain liabilities (see note 18).

The purpose of the grant is to supply finance to enable communities to bring invasive species such as blue gums, poplar and wattle under control in such a way that it contributes to the conservation of the natural resources.

### Energy efficiency and demand side management

Balance unspent at beginning of year	-	3,600,000
Amount refunded to National Treasury	-	(3,600,000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

The energy efficiency demand site management programme is managed by the Department of Energy. The grant is for the plant and implementation of energy efficient technologies such as traffic signals, street and building lighting.

### Disaster Relief Grant

Current-year receipts	33,830,000	-
Conditions met - transferred to revenue	(13,295,438)	-
	<b>20,534,562</b>	-

Conditions still to be met - remain liabilities (see note 18).

Disaster grants is for repair and maintenance of the infrastructure assets that were destroyed by the floods.

## 28. Donations Received

Donations	2,250,000	11,381,749
<b>Reconciliation of donations received</b>		
Transport Assets (Truck) donated by department of forestry fisheries and the environment	2,250,000	-
Port St Johns Library	-	5,632,025
Port St Museum	-	5,749,732
	<b>2,250,000</b>	<b>11,381,757</b>

## 29. Fines, Penalties and Forfeits

Municipal Traffic Fines	224,700	261,000
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## Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

### Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>30. Employee related costs</b>		
Basic	62,703,637	62,815,468
Medical aid - company contributions	5,189,234	4,907,018
UIF	464,829	384,057
Leave pay provision charge	628,193	(2,814,558)
Defined contribution plans	8,664,112	8,452,415
Overtime payments	2,809,995	3,058,806
Long-service awards	519,000	562,000
Acting allowances	1,643,584	-
Public Holiday Allowance	1,526,100	-
Allowances	6,029,062	11,332,558
Sunday Allowance	3,661,824	-
	<b>93,839,570</b>	<b>88,697,764</b>

[1] Allowances amount is composed of all the allowances such as acting, car/ travel, night shift ,shift allowances, rural allowance, standby, Sunday, Clothing, Public Holiday, and subsistence etc

#### Remuneration of municipal manager - HT Hlazo

Annual Remuneration	381,154	1,000,857
Car Allowance	30,000	180,000
Contributions to UIF, Medical and Pension Funds	4,666	14,051
Other allowances (housing, remote and travel)	11,681	61,728
	<b>427,501</b>	<b>1,256,636</b>

The Municipal Manager (Mr. HT Hlazo) contract ended on the 31 August 2022.

#### Remuneration of Municipal Manager M Fihlani

Annual Remuneration	708,047	-
Contributions to UIF, Medical and Pension Funds	8,604	-
Other Allowances	29,191	-
	<b>745,842</b>	<b>-</b>

The Municipal Manager (Mr. Fihlani) contract started on the 01 December 2022.

#### Remuneration of Corporate Services Manager -LT Somtseu

Annual Remuneration	327,366	807,908
Car Allowance	37,500	150,000
Contributions to UIF, Medical and Pension Funds	4,400	11,848
Other allowances (housing , remote and travel)	38,393	70,364
	<b>407,659</b>	<b>1,040,120</b>

The Corporate Service manager - LT Somtseu contract ended on the 30th September 2022.

#### Remuneration of Corporate Services Manager- S Matubatuba

Annual Remuneration	631,287	-
Car Allowance	92,000	-
Contributions to UIF, Medical and Pension Funds	22,293	-
Other allowances (housing, remote and travel)	38,921	-
	<b>784,501</b>	<b>-</b>

#### Remuneration of Engineering Services Manager -CCA O'Bose

Annual Remuneration	1,008,172	846,187
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# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>30. Employee related costs (continued)</b>		
Car Allowance	148,470	150,000
Contributions to UIF, Medical and Pension Funds	13,829	12,185
Other allowances (housing , remote and travel )	83,081	54,847
	<b>1,253,552</b>	<b>1,063,219</b>

### Remuneration of Community Services Manager - F Guleni (contract ended November 2021)

Annual Remuneration (Backpay )	12,279	535,287
Contributions to UIF, Medical and Pension Funds	123	5,959
Other allowances (housing, remote and travel)	-	21,549
	<b>12,402</b>	<b>562,795</b>

Mr. Guleni contract ended on the 31 November 2021 and was backpaid in the current year.

### Remuneration of Community service - Mr. E Mzayiya

Annual Remuneration	1,005,031	-
Contributions to UIF, Medical and Pension Funds	12,580	-
Other Allowances	97,509	-
	<b>1,115,120</b>	<b>-</b>

### Remuneration of Local Economic Development - Mr. Xuku

Annual Remuneration	1,047,261	996,188
Contributions to UIF, Medical and Pension Funds	13,000	12,485
Other Allowances	40,196	53,163
	<b>1,100,457</b>	<b>1,061,836</b>

### Remuneration of chief finance officer -BA Mbana

Annual Remuneration	2,010,989	996,187
Contributions to UIF, Medical and Pension Funds	8,693	12,019
Other allowances (housing, remote and travel)	60,422	48,064
	<b>2,080,104</b>	<b>1,056,270</b>

Chief Finance Officer contract was terminated on the 31 January 2023.

### Remuneration of Acting Chief Finance Officer - Mr Shinta

Acting Allowance	51,928	67,621
Contributions to UIF, Medical and Pension Funds	11	-
Other Allowances	89,292	-
	<b>141,231</b>	<b>67,621</b>

The acting CFO was appointed from 1 February 2022 to 31 August 2022.

### Remuneration of the Acting Chief Finance Officer - Z. Mkuzo (Appointed on 15 February 2023)

Contributions to UIF, Medical and Pension Funds	677	-
Acting allowance	33,850	-
	<b>34,527</b>	<b>-</b>

Ms Mkuzo was the acting CFO from 15 February 2023 to 30 June 2023.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 31. Remuneration of councillors

Councillors 13,081,777 13,717,154

2023	Annual Remuneration	Backpay	Car and Travel Allowance	Sub & Travel Allowance	Cellphone Allowance	Retirement Allowance	Total
Mlombile Cingo N. Mayor	886,685	-	-	4,864	3,545	-	8,4
Nduku - Mazuza C- Speaker	709,349	-	-	3,044	-	-	3,0
X Moni - Chief Whip	665,015	-	-	4,909	-	-	4,9
Subtotal	2,261,049	-	-	12,817	3,545	-	2,277,4
Other Councillors	10,395,129	2,584	413,290	112,418	48,000	48,000	11,019,4
	<b>12,656,178</b>	<b>2,584</b>	<b>413,290</b>	<b>176,780</b>	<b>176,780</b>	<b>48,000</b>	<b>13,296,8</b>

2022	Annual Remuneration	Backpay	Car Allowance	Acting Allowance	Cellphone Allowance	Total
Mlombile Cingo N. Mayor	746,369	56,738	80,683	-	7,563	891,353
Nduku Mazuza C-speaker	588,115	46,858	61,553	-	6,015	702,541
X Moni - Chief Whip	486,779	37,915	36,179	-	6,765	567,638
Subtotal	1,821,263	141,511	178,415	-	20,343	2,161,532
Other Councillors	9,685,889	587,978	923,232	35,441	323,082	11,555,622
	<b>11,507,152</b>	<b>729,489</b>	<b>1,101,647</b>	<b>35,441</b>	<b>343,425</b>	<b>13,717,154</b>

#### 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 and the Speaker are also provided a Municipal car for their use.

The remuneration of the political office -bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the constitution.

Detailed remuneration details per councillor are disclosed in note 47..

### 32. Depreciation and amortisation

Property, plant and equipment	41,618,791	107,952,956
Investment property	130,849	167,200
Intangible assets	344,189	196,948
	<b>42,093,829</b>	<b>108,317,104</b>

### 33. Impairment loss

#### Impairments

Property, plant and equipment	4,989,814	-
	4,989,814	-
	-	-

### 34. Finance Costs

Trade and other payables	-	11,208
Other finance costs [1]	1,928,107	1,803,287
	<b>1,928,107</b>	<b>1,814,495</b>

[1] Other finance costs relate to interest on finance leases, interest on overdue accounts, landfill site rehabilitation provision and on employee benefits obligations. The table below details the breakdown :

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>34. Finance Costs (continued)</b>		
Finance leases	270,545	87,513
Landfill site rehabilitation provision discounting	1,171,431	1,328,262
Long Service award	472,000	366,000
Interest on overdue accounts	12,866	-
Bank Charges	1,265	-
	<b>1,928,107</b>	<b>1,781,775</b>
<b>35. Lease rentals on operating lease</b>		
<b>Equipment</b>		
Contractual amounts	2,604,824	676,794
<b>36. Debt impairment</b>		
Debt impairment	9,234,624	5,194,280
<b>Breakdown of debt impairment</b>		
Property rates	7,750,765	4,124,441
Refuse	1,684,867	1,259,863
Traffic fines	(201,008)	(190,024)
	<b>9,234,624</b>	<b>5,194,280</b>
<b>37. Contracted services</b>		
<b>Consultants and Professional Services</b>		
Business and Advisory	6,713,457	5,648,204
Legal Cost	2,520,918	4,417,658
<b>Contractors</b>		
Maintenance of Equipment	11,096,530	7,396,567
Presented previously	-	-
Outsourced Services	-	-
Consultants and Professional Services	9,234,375	10,065,862
Contractors	11,096,530	7,396,567
	<b>20,330,905</b>	<b>17,462,429</b>
<b>38. Transfer and subsidies</b>		
<b>Other subsidies</b>		
LED Programmes- (PSJDA)	8,204,412	9,611,994
Grants paid to ME's	-	-
Other subsidies	8,204,412	9,611,994



# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>39. General expenses</b>		
Advertising and communications	919,551	899,382
Audit Committee fees	376,949	226,574
Auditors remuneration	6,068,968	5,137,060
Bank charges	172,712	1,175,959
Beach management	88,877	66,630
Books and publications	-	5,398
Casual wages	3,660,646	3,422,458
Cleaning	175,460	62,450
Community development and training	358,369	255,342
Computer expenses	(15,891)	47,576
Sports and Recreation	361,233	-
Consumables	580,782	338,039
Debt collection	747,723	564,608
Disciplinary Board fees	10,152	18,000
Discount allowed [4]	-	179,603
Donations and Grants [6]	-	5,659,062
Electricity	700,250	677,197
Eradication of alien plants project expenditure and stipends	1,220,265	4,319,727
Fines and penalties	110,583	-
Free basic electricity	3,322,966	4,021,144
Fuel and oil	5,540,344	6,211,860
Gas cylinders and stoves [3]	1,865,700	3,247,695
Hire	2,002,330	3,335,104
Support to SMME and co-operations	1,162,812	-
Insurance	2,727,425	104,785
Integrated development plan	680,464	8,000
Internships	50,750	-
Landfill site rehabilitation	9,500	321,111
Library Services	256,404	402,774
License fees	393,704	325,775
MIG grant expenses	472,389	236,522
Meals and entertainment	472,980	1,267,451
Other expenses	25,389	-
Postage and courier	670	685
Printing and stationery	835,540	1,051,960
FMG expenditure	810,318	-
Risk Management	-	4,250
Security Costs	1,682,957	-
Skills Development Levy	682,591	725,375
Social Responsibility program	4,106,988	1,956,022
Staff welfare [1]	-	42,420
Subscriptions and membership fees	1,031,616	869,093
Support to traditional authorises and councilors	174,340	78,659
Telephone and fax	2,944,565	5,177,333
Cultural Heritage Event	799,120	-
Training	804,927	1,655,807
Travel - local	5,973,760	5,892,562
Uniforms and protective clothing [2]	878,452	1,207,303
Valuation Roll	-	104,348
Ward Assistance	1,718,692	2,695,543
Ward Committee stipend	5,750,500	4,463,252
Workman's compensation	700,000	1,420,264
	<b>63,414,822</b>	<b>69,882,162</b>

### 40. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>40. Operating surplus (deficit) (continued)</b>		
<b>Operating lease charges</b>		
Equipment		
• Contractual amounts	2,604,824	676,794
Gain on sale of property, plant and equipment	-	3,691,347
Impairment on property, plant and equipment	4,989,814	-
Depreciation on property, plant and equipment	42,093,829	108,317,104
Employee costs	106,921,347	102,414,918
<b>41. Auditors' remuneration</b>		
Auditor General fees	6,068,968	5,137,060
<b>42. Cash generated from operations</b>		
Surplus (deficit)	50,993,889	(31,478,298)
<b>Adjustments for:</b>		
Depreciation and amortisation	42,093,829	108,317,104
Gain on sale of assets and liabilities	93,494	-
Fair value adjustments	(796,012)	(46,752)
Finance costs	472,000	366,000
Impairment loss	4,989,814	(3)
Debt impairment	9,234,624	5,194,280
Movements in operating lease assets and accruals	2,497,644	200,779
Movements in provisions	(1,136,773)	(4,011,306)
Inventory losses or write-downs	-	1,475,117
Non-cash donations to ESKOM movement	-	(901,424)
Non-cash employee costs	(420,002)	(93,142)
Landfill site asset addition	(1,171,431)	(1,864,523)
non- cash donation	(2,250,000)	(11,381,749)
<b>Changes in working capital:</b>		
Inventories	(610,854)	(647,479)
Receivables from exchange transactions	215,597	(1,604,945)
Consumer debtors	202,065	617,862
Other receivables from non-exchange transactions	(3,960,437)	(4,259,556)
Payables from exchange transactions	(8,048,497)	9,919,435
VAT	1,524,285	(874,437)
Unspent conditional grants and receipts	16,099,174	(11,358,253)
	<b>110,022,409</b>	<b>57,568,710</b>

### 43. Service in-kind

The municipality received some assistance from the Ingquza Local Municipality in respect of internal audit services. The municipality has not been paying for these services therefore, these qualifies to be regarded as a service in kind. We could not determine the benefit enjoyed by the municipality.

### 44. Financial instruments disclosure

#### Categories of financial instruments

#### 2023

#### Financial assets

	At amortised cost	At cost	Total
Receivables from exchange transactions	-	66,120	66,120
Receivables from non-exchange transactions	7,155,165	-	7,155,165

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>44. Financial instruments disclosure (continued)</b>		
Consumer debtors	988,588	-
Cash and cash equivalents	-	152,972,925
	<b>8,143,753</b>	<b>153,039,045</b>
		<b>161,182,798</b>

### Financial liabilities

	At cost	Total
Payables from exchange transactions	26,005,806	26,005,806
Consumer deposits	61,000	61,000
	<b>26,066,806</b>	<b>26,066,806</b>

### 2022

### Financial assets

	At amortised cost	At cost	Total
Receivables from exchange transactions	-	66,120	66,120
Receivables from non-exchange transactions	5,141,982	-	5,141,982
Consumer debtors	1,190,653	-	1,190,653
Cash and cash equivalents	-	121,987,476	121,987,476
	<b>6,332,635</b>	<b>122,053,596</b>	<b>128,386,231</b>

### Financial liabilities

	At amortised cost	At cost	Total
Payables from exchange transactions	-	20,380,435	20,380,435
Finance lease obligation	283,610	-	283,610
Consumer deposits	-	61,000	61,000
	<b>283,610</b>	<b>20,441,435</b>	<b>20,725,045</b>

### Financial instruments in Statement of financial performance

### 2023

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	17,684,196	17,684,196
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(1,928,108)	(1,928,108)
Debt Impairment	(9,234,623)	(9,234,623)
	<b>6,521,465</b>	<b>6,521,465</b>

### 2022

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	11,644,192	11,644,192
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(1,814,495)	(1,814,495)
Debt Impairment	(5,194,280)	(5,194,280)
	<b>4,635,417</b>	<b>4,635,417</b>

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>45. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	33,140,083	37,203,681
<b>Total capital commitments</b>		
Already contracted for but not provided for	33,140,083	37,203,681
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• General Expenditure	10,381,749	3,710,110
<b>Total operational commitments</b>		
Already contracted for but not provided for	10,381,749	3,710,110
<b>Total Commitments</b>		
Authorised Capital expenditure	33,140,083	37,203,681
Authorised operational expenditure	10,381,749	3,710,110
	<b>43,521,832</b>	<b>40,913,791</b>

This committed expenditure relates to access roads, land acquisition and operational expenditure and will be financed by Municipal Infrastructure Grant and municipal own internal resources.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>46. Contingencies</b>		
<b>Contingent Liability</b>		
Port St John's Local Municipality vs Binase Puzi and others Civil claim illegal occupation of municipal land	600,000	-
Port st Johns vs Luxolo Fono Civil claim,illegal construction at ERF 1 and 736 at Second beach,building in the jurisdiction of port st john's without complying with the prescribed town planning scheme.	-	-
Port St Johns Local Municipality vs Vuyelwa Caciso (Case number 2920/2021) This matter relates to a civil claim amounting to R2 000 000 for an injury claim suffered by the plaintiff when she broke her leg when she stepped on a water drain which was not covered.	2,000,000	2,000,000
Mr. Mfecane Vs Port St Municipality (Case no. 4058/2019) Mr. Mfecane is suing the Municipality for R6 876 268 for the loss suffered when a property he unlawfully occupied was demolished in terms of the court order.	6,876,238	6,876,238
Fundile Nogumla & Another Vs Port St Johns (Case number 591/2016) This is a civil claim for damages amounting to R12 100 000 against the municipality suffered because of alleged negligence by the municipality (shark attack). This matter was struck of as a result of the non-appearance of the plaintiffs legal representatives in court. Matter is not yet reinstated.	12,100,000	12,100,000
Tal'imi Board KZN vs Port ST John's municiplaity (Case number 2846/2018) This matter relates to criminal claim in respect of a fraudulent transaction of work man's compensation fund. The matter was reported to SAPS in february 2020 is under investigation and no arrests has been made. The amount claimed is still to be determined.	650,000	-
MAS Corporation (Pty) Ltd The Municipality was summoned to pay an amount of R390 750.25 to the service provider for installation of generators.	390,750	-
Nokwenzeka M. Magidigidi Vs Port St Johns Local Municipality (Case Number 5212/2018) Claim for the wrongfully impounded vehicle. The plaintiff sought to be reimbursed of the 3 motor vehicles that were impounded to be compensated with the monetary value of R83 000. The lawyer of the municipality are unable to ascertain the likelihood of action against the municipality being successful. The total capital claimed amounted to R83 000	83,000	83,000
Reliable consultants vs Port St Johns Local Municipality Reliable claims that they have not been paid monies owed to them,it transpired that the money due to them was paid into a fraudulent account hence the claim.	420,000	-
Former Ward Councilors vs PSJ Municipality The former ward councilors want the municipality to pay them R1M each as an incentive. The total capital claimed is R17 000 000.	17,000,000	17,000,000
Thembinkosi Bolo vs PSJ Municipality (27/22) The Plaintiff claims that the Municipality failed to keep stray animals away from the streets of the town as result of this, the Plaintiff was gored by a cow	450,000	-
Port St Johns Contractors and others/ Port st johns Municipality The contractors are challenging the award of contract PSJLM 2019/20-05	450,000	-
Z Ndabeni / PSJ local Municipality The Municipality was bein sued for unlawful arrest. The matter was struck off the roll by the judge due to a no show pulled by the plaintiffs	800,000	-
	-	-
	<b>41,819,988</b>	<b>38,059,238</b>

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 46. Contingencies (continued)

#### Contingent assets

There were no contingent assets at the end of the year.

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# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 47. Related parties

<p>Relationships Accounting Officer Audit Committee Members</p> <p>Other members of key management</p> <p>Controlled Entity Mayor Speaker Chief Whip Councillors.</p>	<p>Mr. M. Fihlani Ms. S. Gugwini-Peter (Chairperson) Mr. V. Magan (Member) Ms. T. Mngqeta (Member) Mr. M. Mdani (Member) Ms. Z. Mkuzo - Acting Chief Finance Officer Mr. S Matubatuba- Corporate Service Senior Manager Mr. S. Xuku - LED Senior Manager Mr. CCA O'bose - Engineering Senior Manager Mr. E. Mzayiya - Community Services Senior Manager Port St Johns Development Agency Cllr. N Mlombile - Cingo Cllr. C.Mazuza Cllr. X. Moni Cllr. M. Mazelani Cllr. Z. Zozi Cllr. A. Gantsho Cllr. K. Bikiza Cllr. N. Tani Cllr. S.Madolo Cllr. T. Tshikitshwa Cllr. N. Vava Cllr. P. Nomarhobo Cllr. MB. Madotyeni Cllr. N. Kawu Cllr. M. Maninjwa Cllr. Z. Mhlabeni Cllr. N. PB. Ndudu Cllr. B. Mjakuja Cllr. S. Ndabeni Cllr. N. Javu Cllr. B. Ncomfa Cllr. P. Ngozi Cllr. N. Puzi Cllr. SE. Sicoto Cllr. N. Dobe Cllr. SV. Mavimbela Cllr. F. Mafaka Cllr. S. Ncolosi Cllr. NF. Dobe Cllr. M. Makaula Cllr. MA. Jam-Jam Cllr. M. Ntiyantiya Cllr. TZ. Pato Cllr. CT. Xangayi Cllr. LD. Mafaka Cllr. C. Hashibe Cllr. O. Ndumela Cllr. SL. Ntlatywa</p>
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**[1]** The municipality has an Agency relationship with its Development Agency, Port St Johns Development Agency. Under this agreement the agency carries out certain economic development functions as agreed with the municipality. The Municipality pays the Agency for those services in terms of the agency arrangement.

<p><b>Grant paid to related parties</b> Port St Johns Development Agency</p>	<p>8,204,412 <span style="margin-left: 100px;">9,611,994</span></p>
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# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 47. Related parties (continued)

#### Remuneration of management

#### Management class: Councillors

2023

Name	Backpay	Housing Allowance	Annual Remuneration	S & T	Car Allowance	Cellphone allowance	Retirement	Total
AA GANTSHO	-	-	257,709	31,265	113,290	-	-	402,264
B MJAKUJA	-	-	360,107	7,750	-	-	-	367,857
B NCOMFU	-	-	360,107	-	-	-	-	360,107
C HASHIBI	-	-	280,603	-	-	-	-	280,603
CT XANGAYI	-	-	280,603	-	-	-	-	280,603
F MAFAKA	-	-	370,999	1,672	-	-	-	372,671
G TSHOTHO	-	-	340,082	33,413	-	-	-	373,495
IPB NDUDU	-	-	280,603	-	-	-	-	280,603
K BIKIZA	-	-	360,107	1,064	-	-	-	361,171
LD MAFAKA	2,584	-	293,094	-	-	-	-	295,678
L NDAMASE	-	-	210,452	-	-	-	-	210,452
M MANINJWA	-	-	190,603	-	90,000	-	-	280,603
M NTIYANTYA	-	-	280,603	-	-	-	-	280,603
MA JAM JAM	-	-	220,603	-	60,000	-	-	280,603
MB MADOTYENI	-	24,000	256,603	-	-	-	-	280,603
NM MAKAULA	-	24,000	256,603	-	-	-	-	280,603
N JAVU	-	-	280,603	760	-	-	-	281,363
N KAWU	-	-	280,603	-	-	-	-	280,603
N PUZI	-	-	280,603	152	-	-	-	280,755
N TANI	-	-	370,999	3,474	-	-	-	374,473
N VAVA	-	-	280,603	-	-	-	-	280,603
O NDUMELA	-	-	370,999	-	-	-	-	370,999
P NGOZI	-	-	280,603	152	-	-	-	280,755
SC NDUKU / MAZUZA	-	-	709,349	3,044	-	-	-	712,393
S MADOLO	-	-	288,136	-	-	-	-	288,136
SN MLOMBILE E-CINGO	-	-	886,685	4,864	-	3,545	-	895,094
S NDABENI	-	-	280,603	-	-	-	-	280,603
S NF DOBE	-	-	256,603	152	-	-	24,000	280,755



# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

47. Related parties (continued)													
S SICOTO	-	346,999	1,520	-	-	24,000	-	-	-	-	-	-	372,519
SI NCOLOSI	-	190,603	-	-	90,000	-	-	-	-	-	-	-	280,603
SL NTLATYWA	-	280,603	-	-	-	-	-	-	-	-	-	-	280,603
SS N DOBE	-	280,603	152	-	-	-	-	-	-	-	-	-	280,755
SS N MAZALENI	-	280,603	-	-	-	-	-	-	-	-	-	-	280,603
SS T TSHIKITSHWA	-	280,603	-	-	-	-	-	-	-	-	-	-	280,603
SV MAVIMBELA	-	360,107	23,130	-	-	-	-	-	-	-	-	-	383,237
TZ PATO	-	280,603	7,762	-	-	-	-	-	-	-	-	-	288,365
X MONI	-	665,015	4,909	-	-	-	-	-	-	-	-	-	669,924
Z MHLABENI	-	280,603	-	-	-	-	-	-	-	-	-	-	280,603
Z MTIKI	-	220,603	-	-	60,000	-	-	-	-	-	-	-	280,603
Z ZOZI	-	23,384	-	-	-	-	-	-	-	-	-	-	23,384
	<b>2,584</b>	<b>48,000</b>	<b>125,235</b>	<b>413,290</b>	<b>3,545</b>	<b>48,000</b>	<b>13,296,853</b>						

2022

Name	Acting allowance	Annual remuneration	Car allowances	Cellphone Allowance and other	Total
A MZUNGULE	-	75,554	24,216	5,777	105,547
AA GANTSHO	-	349,547	125,411	5,569	480,527
B MJAKUJA	-	347,382	36,179	9,800	393,361
B NCOMFU	-	245,913	-	4,290	250,203
C HASHIBI	-	180,833	-	4,290	185,123
CT XANGAYI	-	180,833	-	4,290	185,123
D MADINI	-	75,554	24,216	3,927	103,697
DZ MNCEBA	-	75,554	24,216	3,411	103,181
F JAMA	-	75,554	24,216	5,134	104,904
F MAFAKA	-	337,358	36,179	7,099	380,636
G TSHOTHO	-	342,721	36,179	10,478	389,378
GX VIMBA	-	75,554	24,216	5,480	105,250
IPB NDUDU	-	181,211	-	4,290	185,501
K BIKIZA	-	245,913	-	4,290	250,203
K MAJEKE	-	75,554	24,216	1,725	101,495
L MAQHAJINI	-	168,362	-	4,624	172,986
L NDAMASE	-	276,564	36,179	10,024	322,767

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 47. Related parties (continued)

M DYOSOBA	-	75,554	24,216	4,158	103,928
M HOBO	-	96,961	31,077	4,601	132,639
M MANINJWA	-	180,833	-	4,290	185,123
M NTIYANTIYA	-	180,833	-	4,290	185,123
M VENI	-	96,961	31,077	5,480	133,518
MA JAM JAM	-	180,833	-	4,290	185,123
MB MADOTYENI	-	252,225	28,378	22,790	303,393
NM MAKAULA	-	180,833	-	-	180,833
N JAVU	-	180,833	-	-	180,833
N KAWU	-	180,833	-	-	180,833
N PUZI	-	180,833	-	-	180,833
N TANI	13,907	337,358	36,179	2,109	389,553
N TSHITSHILIZA	-	96,961	31,077	6,319	134,357
N VAVA	-	252,225	28,378	10,105	290,708
NB MTUKU	-	99,894	32,017	5,628	137,539
NC FONON	-	75,554	24,216	3,664	103,434
NF BOKWE	-	75,554	24,216	6,926	106,696
NP MAJALI	-	99,894	32,017	5,888	137,799
O NDUMELA	-	241,387	-	4,290	245,677
P NGOZI	-	180,833	-	4,290	185,123
PN SOGA	-	75,554	24,216	5,594	105,364
RM ZWENI	-	96,961	31,077	10,048	138,086
SC NDUKU/ MAZUZA	-	623,361	61,553	8,144	693,058
SL ROLOBILE	-	75,554	24,216	3,864	103,634
S MADOLO	-	252,225	28,378	22,790	303,393
SN MLOMBILE E-CINGO	-	788,509	80,683	8,936	878,128
S NDABENI	-	252,225	28,378	22,790	303,393
S NF DOBE	-	180,833	-	4,290	185,123
S SICOTO	-	313,019	28,378	8,394	349,791
SI NCOLOSI	-	180,833	-	4,290	185,123
SL NTLATYWA	-	252,225	28,378	10,517	291,120
SS N DOBE	-	180,833	-	4,290	185,123
SS N MAZALENI	-	180,833	-	4,290	185,123
SS MIDIDANA	-	75,554	24,216	16,167	115,937
SS T TSHIKITSHWA	-	180,833	-	4,290	185,123
SV MAVIMBELA	-	327,837	35,239	6,015	369,091
T NTSHAM	-	75,554	24,216	3,537	103,307
TZ PATO	-	180,833	-	4,290	185,123

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

47. Related parties (continued)						
TM MSONGELWA	-	75,554	24,216	5,486	105,256	
X MONI	-	515,424	36,179	9,528	561,131	
Z MHLABENI	-	252,225	28,378	9,213	289,816	
Z MTIKI	-	252,225	28,378	8,699	289,302	
ZH CUBE	-	75,554	24,216	3,892	103,662	
	<b>13,907</b>	<b>12,021,711</b>	<b>1,298,566</b>	<b>382,970</b>	<b>13,717,154</b>	

### Executive management

\* Details of remuneration paid to key management personnel have been disclosed on note 30 "Employee related costs".

Councilor's outstanding consumer accounts

Details of outstanding consumer accounts have been disclosed in note 54 "Additional disclosure interns of Municipal Finance Management Act"

### Management class: Councillors

### 48. Risk management

#### Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. Council has an approved financial plan which brought policies and procedures in place to monitor the cash projections and by ensuring that financial resources are available to meet its cash requirements.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 48. Risk management (continued)

#### Credit risk

Credit risk is defined as the risk that one party to a financial instrument will fail to honour their obligation, thus causing the other party to incur a financial loss.

Credit risk consist mainly of cash deposit, cash equivalents and receivables from customer for property rates and refuse collection.

Consumer debtors comprise of many consumers, dispersed across different industries and geographical areas within Port St Johns. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt. Outstanding accounts are followed up monthly.

The municipality has a significant concentration of credit risk in respect of receivables from consumers for rate and refuse collection. The municipality is obliged to continue to offer refuse collection services as well as rates to these customers.

The Municipality's credit risk exposure is represented primarily by net aggregate balance of amounts receivable in respect of unpaid rates, refuse charges and other receivables. Debt collection procedures are applied as diligently as circumstances permit in such a way as to minimise risk and related collection costs. As a general principle, no collateral is required for these receivables.

The providers for impairment losses in respect to the extent that they can be reliably and objectively determined, having regard to the credit risk experience and payment history of the particular categories of debtors.

The municipality limits its counterpart exposures from its money market investment operations by only dealing with well established financial institutions of high-quality credit standing. The credit exposure to any single counterpart is managed by setting transaction / exposure limits. These limits are reviewed annually by the CFO and authorised by the executive mayoral committee.

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

Financial instrument	2023	2022
Receivables from exchange transactions	66,120	66,120
Receivables from non-exchange transactions	8,731,290	5,141,962
Consumer Debtors	988,588	1,190,653
Cash and cash equivalents	152,972,925	121,987,476

The following are the contractual maturities of the financial liabilities, including interest payments and excluding the impact of netting agreements :

2023	Carrying amount	Contractual cash flows	1 year or less	>1 year
Finance lease obligation	283,610	283,610	283,610	-
Payables from exchange transactions	35,080,383	35,080,383	35,080,383	-
Consumer deposits	61,000	61,000	61,000	-
	<b>35,424,993</b>	<b>35,424,993</b>	<b>35,424,993</b>	<b>-</b>

2022	Carrying amount	Contractual cash flows	1 year or less	> 1 year
Finance lease obligation	685,032	685,032	401,422	283,610
Payables from exchange transactions	24,572,662	24,572,662	24,572,662	-
Consumer deposits	61,000	61,000	61,000	-
	<b>25,318,694</b>	<b>25,318,694</b>	<b>25,035,084</b>	<b>283,610</b>

#### Market risk

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 48. Risk management (continued)

#### Interest rate risk

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

As the municipality has no significant interest-bearing financial liabilities, the municipality's income and operating cash flows are substantially independent of changes in market interest rates except for the effect of interest received on cash placed on call accounts.

#### Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Receivables from exchange transactions	- %	66,120	-	-	-	-
Receivables from non-exchange transactions	15.00 %	4,561,327	-	-	-	-
Consumer debtors	15.00 %	1,190,653	-	-	-	-
Cash in current banking institutions	4.28 %	121,987,476	-	-	-	-
Finance lease liabilities	7.00 %	(283,610)	-	-	-	-
Consumer deposits	- %	(61,000)	-	-	-	-
Payables from exchange transactions	- %	(35,080,383)	-	-	-	-

#### Price risk

Price Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market).

The municipality does not have any financial instruments that are affected by price risk.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 49. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these are listed below:

i. The Council adopted the 2024 to 2026 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to supported the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period

ii. The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

iii. Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

iv. As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the annual financial statements 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.

### 50. Events after the reporting date

On the 24 November 2023 the municipality received a judgement from the lawyers indicating that the case no 3349/2022 relating to the case where the ward councillors claims of R17 Million against the municipality which was disclosed as Contingent Liability was dismissed with cost, such costs to include the costs occasioned by the employment of two counsel.

### 51. Unauthorised expenditure

Opening balance as previously reported	245,333,845	195,831,353
Add: Unauthorised expenditure - current	20,215,146	49,502,492
<b>Closing balance</b>	<b>265,548,991</b>	<b>245,333,845</b>

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	10,336,680	29,148,668
Cash	9,878,466	20,353,824
	<b>20,215,146</b>	<b>49,502,492</b>

#### Analysed as follows: non-cash

Debt Impairment	3,528,861	-
Depreciation and amortisation	-	5,014,031
Finance costs	1,724,511	609,806
Impairment loss	4,989,814	12,872,528
Inventories losses / write -downs	-	1,475,117
Loss on disposal of property, plant and equipment	93,494	9,177,160
	<b>10,336,680</b>	<b>29,148,642</b>

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>51. Unauthorised expenditure (continued)</b>		
<b>Analysed as follows: cash</b>		
Employee related costs	-	14,731,535
Contracted services	7,273,642	-
General expenditure	-	4,945,496
Lease rentals on operating lease	2,604,824	676,793
	<b>9,878,466</b>	<b>20,353,824</b>

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11 (3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes : overspending of the total amount appropriated in the Municipality's approved budget; 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 to in paragraph (b) , (c) or (d) of the definition of "allocation otherwise than in accordance with any conditions of the allocation ; or a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

### 52. Fruitless and wasteful expenditure

Opening balance as previously reported	21,016,880	20,222,195
Add: Fruitless and wasteful expenditure identified - current	780,962	794,685
<b>Closing balance</b>	<b>21,797,842</b>	<b>21,016,880</b>

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**52. Fruitless and wasteful expenditure (continued)**

**Details of fruitless and wasteful expenditure**

	Disciplinary steps taken/criminal proceedings	
Interest incurred on late payment of suppliers	None	448,316
Payments made in vain		332,646
		<b>780,962</b>
		<b>11,208</b>
		<b>783,477</b>
		<b>794,685</b>

[1] Fruitless and wasteful expenditure incurred in the previous years is currently under investigation by the Municipal Public Accounts Committee (MPAC) working together with the internal Audit.

**53. Irregular expenditure**

Opening balance as previously reported	248,420,079	245,291,243
Add: Irregular expenditure - current	7,586,403	5,352,031
Add: Irregular expenditure - prior period	-	1,792,547
Less: Amount written off - current	-	(4,015,742)
<b>Closing balance</b>	<b>256,006,482</b>	<b>248,420,079</b>

The amounts disclosed above are exclusive of VAT.



# Port St Johns Local Municipality

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### 53. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings	2023	2022
Regulation 32 incorrectly applied	none	817,758	1,222,758
Three written quotations not invited	None	119,800	29,826
Overspending on contracts	none	5,006,136	-
Non-compliance with SCM policy	none	980,378	2,817,037
Not advertised for required time		73,500	85,261
Non Compliance with Municipal cost containment regulations		500,507	2,989,696
Expenditure outside municipal mandate		88,324	-
		<b>7,586,403</b>	<b>7,144,578</b>

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

#### Audit fees

Opening balance	7,301	296,504
Current year subscription / fee	6,972,012	5,137,060
Amount paid - current year	(6,979,313)	(5,426,263)
	<b>-</b>	<b>7,301</b>

#### PAYE and UIF

Opening balance	-	225,990
Current year subscription / fee	16,535,511	17,374,587
Amount paid - current year	(16,535,511)	(17,600,577)
	<b>-</b>	<b>-</b>

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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

#### Pension and Medical Aid Deductions

Current year subscription / fee	8,799,823	12,145,680
Amount paid - current year	(8,799,823)	(12,145,680)

#### VAT

VAT receivable	1,213,538	2,737,823
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VAT output payables and VAT input receivables are shown in note .

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

#### Councillors' arrear consumer accounts

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

The councilor does not have outstanding debt for the 2022/23 financial year :

June 30, 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. S.L. Ntlatywa	2,388	-	2,388

### 55. Deviation from supply chain management regulations

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

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

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

#### Deviations for the period up to 30 June 2023.

The amount for deviations as at 30 June 2023 is R9 645 986 (2022: R2 574 285)

The following deviations and ratifications of minor breaches of processes are reported to council in terms of Paragraph 36(2) of the SCM Policy.

Category		
Emergency	632,503	57,500
Exceptional cases	9,013,483	2,466,857
Sole Supplier	-	49,928
	<b>9,645,986</b>	<b>2,574,285</b>

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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### 56. Correction of prior year error

#### Property, plant and equipment

The municipality reassesses the useful lives and residual values of items of property, plant and equipment of the municipality at end of each reporting period, in line with the accounting policy and GRAP 17 - Property, plant and equipment. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information.

The depreciation methods and average useful lives and residual values of property, plant and equipment have been assessed and based on this analysis, the useful lives and residual values have been revised.

The average useful lives changed as tabulated below :

Category	Current period average useful lives	Prior period average useful lives
Buildings	25 years	30 years
Community assets	25 years	30 years
Furniture and office equipment	3- 5 years	7 - 12 years
Computer equipment	3- 5 years	3 years
Infrastructure	5 -50 years	15 -50 years
Plant and Machinery	5- 10 years	2 - 20 years
Transport assets	5-10 years	5 - 10 years

### 57. Segment information

#### General information

#### Identification of segments

The municipality is organised and reports council on the basis of seven (7) major functional areas: community services, corporate services, executive council, financial services, infrastructure engineering, local economic department and Municipal Manager. The segments were organised around the departments which assist the municipality in service delivery. Council uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by council 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.

#### Aggregated segments

The municipality operates in Port St Johns area of the Eastern Cape province. Since all the segments are located in one geographical area, segments results were aggregated on the basis of services departments.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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### 57. Segment information (continued)

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

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

<b>Reportable segment</b>	<b>Goods and/or services</b>
Community Services	Removal and disposal of waste, traffic safety, municipal bylaws and security. Provision of libraries, pounds, public parks and cemeteries.
Executive Council	The council is responsible for governing the local area, provision of service delivery of municipal services to local residents and provision of political oversight to administration.
Financial Services	Ensures proper management of municipal finances to improve financial viability, revenue, budget control, expenditure, and free basic services. It also administers supply chain, fleet and asset management services.
infrastructure engineering	Provision of project management services. Roads construction, maintenance. Mechanical workshop services and building plans and inspection services.
Local Economic development	Tourism development, marketing and promotion. Agricultural development enterprise development and poverty alleviation.

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**57. Segment information (continued)**

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

2023

	Community Services	infrastructure engineering	Local economic development	Financial Services	Total
<b>Revenue</b>					
Revenue non exchange transactions	20,123,238	89,586,185	18,606,870	156,311,110	284,627,403
Revenue from exchange transactions	1,091,138	(93,494)	-	25,091,526	26,089,170
<b>Entity's revenue</b>					<b>310,716,573</b>
<b>Expenditure</b>					
Contracted Services	(608,826)	(8,358,143)	(195,350)	(11,168,586)	(20,330,905)
Employee related costs	(34,116,645)	(16,346,177)	(5,688,435)	(37,688,311)	(93,839,568)
Impairment loss	-	-	-	(4,989,814)	(4,989,814)
Finance Cost	-	-	-	(1,928,107)	(1,928,107)
Debt Impairment	-	-	-	(9,234,624)	(9,234,624)
Transfers and Subsidies	-	-	(8,204,412)	-	(8,204,412)
Remuneration of councillors	(5,280,499)	(6,564,326)	(6,478,805)	(13,081,777)	(34,365,307)
General expenses	(2,059,977)	(31,614,620)	-	(45,091,191)	(83,765,794)
Depreciation	(2,153,661)	(165,887)	(38,414)	(8,419,234)	(21,757,196)
Lease rentals on operating lease	-	(165,887)	(38,414)	(246,863)	(448,164)
<b>Total segment expenditure</b>	<b>(44,219,608)</b>	<b>(63,049,153)</b>	<b>(20,605,416)</b>	<b>(131,848,507)</b>	<b>(259,722,684)</b>
<b>Total segmental surplus/(deficit)</b>					<b>50,993,889</b>
<b>Assets</b>					
Current Assets	(17,120,444)	(17,603,853)	2,308,881	260,286,730	227,871,314
Non-current assets	(2,059,977)	(37,176,758)	-	583,188,448	543,951,713
<b>Total segment assets</b>	<b>(19,180,421)</b>	<b>(54,780,611)</b>	<b>2,308,881</b>	<b>843,475,178</b>	<b>771,823,027</b>
<b>Total assets as per Statement of financial Position</b>					<b>771,823,027</b>

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**57. Segment information (continued)**

Liabilities	Community Services	infrastructure engineering	Local economic development	Financial Services	Total
Current liability	(4,806,786)	33,436,151	(3,731,329)	(100,109,992)	(75,211,956)
Non-current Liability	-	-	-	(20,343,679)	(20,343,679)
<b>Total segment liabilities</b>	<b>(4,806,786)</b>	<b>33,436,151</b>	<b>(3,731,329)</b>	<b>(120,453,671)</b>	<b>(95,555,635)</b>
<b>Total liabilities as per Statement of financial Position</b>					<b>(95,555,635)</b>

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

2022

Revenue	Community Services	Infrastructure Structure	Local economic development	Non segment	Total
Revenue from non-exchange transactions	30,356,637	86,220,935	22,523,987	126,127,625	265,229,184
Revenue from exchange transactions	1,378,023	3,294,926	-	15,468,859	20,141,808
<b>Total segment revenue</b>	<b>31,734,660</b>	<b>89,515,861</b>	<b>22,523,987</b>	<b>141,596,484</b>	<b>285,370,992</b>
<b>Entity's revenue</b>					<b>285,370,992</b>

# Port St Johns Local Municipality

## Annual Financial Statements for the year ended June 30, 2023

### Notes to the Annual Financial Statements

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#### 57. Segment information (continued)

<b>Expenditure</b>						
Employee Related Cost	(30,484,925)	(16,149,781)	(3,112,210)	(38,950,848)	(88,697,764)	
Remuneration of councillors	-	-	-	(13,717,154)	(13,717,154)	
Depreciation and amortisation	(2,103,887)	(83,192,102)	(105,874)	(22,915,151)	(108,317,014)	
Finance costs	-	-	-	(1,814,496)	(1,814,496)	
Lease rentals on operating lease	(10,771)	(84,337)	(100,438)	(481,247)	(676,793)	
Debt Impairment	-	-	-	(5,194,280)	(5,194,280)	
Contracted Services	(1,300,487)	(1,508,375)	(52,910)	(14,600,656)	(17,462,428)	
Transfers and subsidies	-	-	(9,611,994)	-	(9,611,994)	
Inventories losses/ write-downs	-	-	-	(1,475,117)	(1,475,117)	
General Expenses	(3,569,528)	(6,015,984)	(7,364,889)	(52,931,762)	(69,882,163)	
<b>Total segment expenditure</b>	<b>(37,469,598)</b>	<b>(106,950,579)</b>	<b>(20,348,315)</b>	<b>(152,080,711)</b>	<b>(316,849,203)</b>	
<b>Total segmental surplus/(deficit)</b>					<b>(31,478,211)</b>	
<b>Assets</b>						
Current Assets	(17,039,871)	(16,205,635)	(2,836,379)	230,709,523	194,627,638	
Non Current assets	-	-	-	503,507,971	503,507,971	
<b>Total segment assets</b>	<b>(17,039,871)</b>	<b>(16,205,635)</b>	<b>(2,836,379)</b>	<b>734,217,494</b>	<b>698,135,609</b>	
<b>Total assets as per Statement of financial Position</b>					<b>698,135,609</b>	
<b>Liabilities</b>						
Current Liabilities	(3,488,542)	(35,466,684)	(936,674)	(14,023,823)	(53,915,723)	
Non current Liability	-	-	-	(18,895,419)	(18,895,419)	
<b>Total segment liabilities</b>	<b>(3,488,542)</b>	<b>(35,466,684)</b>	<b>(936,674)</b>	<b>(32,919,242)</b>	<b>(72,811,142)</b>	
<b>Total liabilities as per Statement of financial Position</b>					<b>(72,811,142)</b>	

#### Information about geographical areas

The municipality's operations are in the Port St Johns area of the Eastern Cape Province.

# Port St Johns Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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### 58. Prior Period Error

#### Prior Year Adjustments

##### Property Plant and Equipment

During the Current and Prior year the Municipality conducted a complete verification of Assets to ensure completeness of PPE. A full reconciliation was performed this resulted in a number of misstatements identified in GL balances vs the FAR balances and were corrected. Prior year AGSA identified that Useful lives of assets were not in line with the standard guidelines and all assets affected were reassigned the correct useful life and depreciated using the correct useful lives. The opening balances of PPE were restated as per above.

##### Accumulated Surplus

During the current period , errors were noted relating to prior periods. The prior year accumulated surplus will be restated based on the identified prior period errors

##### Payables from Exchange transactions

During the year it was noted leave accrual was incorrectly calculated in the prior year and it was corrected including its comparative restatements.

##### Investment Property

During the year it was noted that Land held for sale was not included in the AFS of the municipality. A correction was done to include this land and comparative adjustments were corrected.

##### Intangible Assets

During the year it was noted that the amortisation for the prior year was incorrectly calculated. This error was corrected together with its comparative figures.

##### Receivables from non-exchange transaction

During the year the municipality could not reconcile the payments to the receivables and it was only allocated during the current and the error was corrected by clearing this prior year debtor.

##### Operating/Finance Leases

During the prior year a lease contract of the printing machines was incorrectly recorded in the records. The error was corrected by recognising the leased Assets and the corresponding liability as well at the VAT adjustments.

#### Statement of Financial Performance 2022

	As previously reported	Correction	Restated amount
Gain on disposal of assets and liabilities	-	3,691,347	3,691,347
Government grants and subsidies	244,015,882	(1,407,705)	242,608,177
Public contributions and donations	-	11,381,749	11,381,749
Employee related cost	(91,208,234)	2,510,470	(88,697,764)
Depreciation and amortisation	(56,011,818)	(52,305,286)	(108,317,104)
Impairment of assets	(12,872,528)	12,872,528	-
Finance Cost	(1,762,218)	(52,277)	(1,814,495)
Contracted services	(10,065,862)	(7,396,567)	(17,462,429)
Loss on disposals	(9,220,620)	9,220,620	-
General expenses	(77,214,484)	7,332,322	(69,882,162)
Deficit for the year	17,325,502	14,152,799	31,478,301
Subtotal	2,985,620	-	2,985,620
	<b>2,985,620</b>	<b>-</b>	<b>2,985,620</b>



# Port St Johns Local Municipality

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Figures in Rand	2023	2022	
<b>Statement of financial position 2022</b>	<b>As previously reported</b>	<b>Correction of error</b>	<b>Restated</b>
Property Plant and Equipment	485,954,458	3,710,228	489,664,686
Intangible Assets	584,250	(92,348)	491,902
Investment Property	4,462,386	8,800,000	13,262,386
Receivables from non-exchange transaction	13,594,463	(8,452,501)	5,141,962
VAT Receivables	2,497,319	240,504	2,737,823
Trade payables from exchange transactions - Leave provision	(47,987,481)	2,510,470	(45,477,011)
Unspent Grant Liability	(8,682,450)	3,575,958	(5,106,492)
Payable from exchange transaction - Trade Payables	(9,389,956)	(64,247)	(9,454,203)
Operating Leases -Current Portion	(1,773,423)	(1,896,142)	(3,669,565)
Accumulated Surplus	(617,027,240)	(8,331,922)	(625,359,162)
	<b>(177,767,674)</b>	<b>-</b>	<b>(177,767,674)</b>

Statement of cashflows	Amount as per signed AFS	correction	Restated
Employee Costs	91,208,234	(2,510,470)	88,697,764
Finance Costs	67,956	32,630	100,586
Payment to suppliers	95,973,753	(949,471)	95,024,282
Purchase of PPE	79,991,696	3,585,713	83,577,409
	<b>267,241,639</b>	<b>158,402</b>	<b>267,400,041</b>

Statement of financial Performance	Accumulated Surplus
Accumulated Surplus as previously reported	617,027,240
Opening balance adjustments on :	-
Buildings	6,296,972
community Asset	4,053,639
Furniture and Fittings	32,263
Computer Equipment	345,139
Infrastructure Asset	7,942,756
Work in Progress	6,500,500
Land	15,418,052
Plant and Machinery	170,282
Disposal and Impairment Reversal:	-
community Asset	188,277
Furniture and Fittings	138,556
Computer Equipment	120,900
Infrastructure Asset	9,617,041
Work in Progress	10,712,383
Land	25,369,352
Plant and Machinery	2,956,141
Transport Asset	1,130,234
Depreciation Adjustment	-
Buildings	(280,604)
community Asset	(282,156)
Furniture and Fittings	(447,108)
Computer Equipment	(661,540)
Infrastructure Asset	(31,822,144)
Plant and Machinery	(17,188,587)
Transport	(1,419,229)
Intangible assets	(92,348)
Leave Accrual Adjustments	(2,510,470)
Infrastructure Accumulated depreciation adjustments - Lutshaya Access	(4,489,541)
Community Assets- Donated	11,381,749
Investment Property adjustment	8,800,000
Depreciation for leased Assets- Xerox Machines	(102,428)
Finance Charges - Xerox Machine	(52,277)
Receivables from non-exchange transaction	(8,542,501)

# Port St Johns Local Municipality

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VAT adjustments		240,504
Payables from non-exchange transaction - Trade Payables		(64,247)
Infrastructure Assets Capitalised		(10,518,159)
		<b>625,359,162</b>

Disclosure	Previously reported	Correction of error	Total
Commitments	41,552,854	(639,063)	40,913,791
Contingent Liability	44,059,238	(6,000,000)	38,059,238

### Disclosure:

#### Commitments

In the prior year the municipality had included the open orders amounting to R639 063 which are not real commitments, these open orders relates to orders that have been created on the system and the appointment has been done but the services have not yet been delivered.

#### Contingent liability:

In the prior year there were two cases that were incorrectly disclosed:

**Eyethu Projects and Plant Hire vs Port St Johns-** The Municipality lost the case again therefore this matter does not qualify to be disclosed as contingent liability

**Port St Johns Local Municipality vs Vuyelwa Caciso -** In the current year the municipality found out that the amount of R8 000 000 disclosed in the prior year AFS was incorrect, the correct amount claimed against the municipality was R 2 000 000.

### 59. Statutory Receivables

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows :

#### Receivables from Non -exchange transactions

Property rates	6,219,890	4,604,095
Traffic fines	935,275	537,867
Other Receivables	7,155,165	5,141,962
VAT receivables	1,213,538	2,737,823
	<b>8,368,703</b>	<b>7,879,785</b>