



PORT ST JOHNS
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Port St Johns Local Municipality
Financial statements
for the year ended 30 June 2024

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity	Municipality Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	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.
Mayoral committee	
Honourable Mayor	Cllr. N. Mlombile-Cingo
Community Service Portfolio Head	Cllr. F. Mfaka
Engineering Service Portfolio Head	Cllr. S. Madolo
Corporate Services Portfolio Head	Cllr. S. Sicoto
BTO Portfolio Head	Cllr. N. Tani
Planning and LED Portfolio Head	Cllr. A. Gantsho
No Portfolio	Cllr. O. Ndumela
Audit Committee Members	
Chairperson of the Audit Committee	Ms. Mngqeta
Member	Mr. V. Magan
Member	Mr. M. Mndani
Section 79 chairpersons:	
MPAC Chairperson	Cllr. S. Mavimbela
Women's Caucus	Cllr. B. Mjakuja
Ethics and Members Interest	Cllr. B. Ncomfu
Petitions and Public Participation	Cllr. K. Bikiza
Rules Committee	Cllr. C. S. Mazuza
Accounting Officer	Mr M. Fihlani
Chief Finance Officer (CFO)	Ms. T. Sikolo
LED Senior Manager	Ms. S. Batyi
Community Services Senior Manager	Mr. S. Matubatuba
Corporate Services Senior Manager	Mr. E. Mzayiya

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

General Information

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

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

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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

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and was given unrestricted access to all financial records and related data.

The 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 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2025 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 funds raised nationally among the three spheres of government in terms of section 214 (1) of the constitution for continued funding of operations. The 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 financial statements set out on page 7- 108, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed by:

Mr. M. Fihlani
Accounting Officer

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023
Assets			
Current Assets			
Inventories	3	1 183 343	1 554 612
Receivables from exchange transactions	4&8	3 831 562	2 589 474
Receivables from non-exchange transactions	5&8	6 973 816	5 662 906
VAT receivable	6	5 376 712	1 311 116
Consumer debtors	7	1 194 175	1 052 545
Cash and cash equivalents	9	172 406 901	152 933 349
		190 966 509	165 104 002
Non-Current Assets			
Investment property	10	13 168 187	13 299 036
Property, plant and equipment	11	618 518 303	592 443 282
Intangible assets	12	-	147 713
Heritage assets	13	123 700	123 700
		631 810 190	606 013 731
Non-Current Assets		631 810 190	606 013 731
Current Assets		190 966 509	165 104 002
Total Assets		822 776 699	771 117 733
Liabilities			
Current Liabilities			
Finance lease obligation	14	610 076	626 263
Operating lease liability	15	2 382 024	2 264 628
Payables from exchange transactions	16	67 292 893	48 942 781
Consumer deposits	17	61 000	61 000
Employee benefit obligation	18	529 390	446 466
Unspent conditional grants and receipts	20	34 282 684	24 187 038
Provisions	21	1 255 612	1 250 088
VAT provision INEP		13 474 396	10 295 961
		119 888 075	88 074 225
Non-Current Liabilities			
Finance lease obligation	14	-	610 076
Operating lease liability	15	5 169 429	5 029 093
Employee benefit obligation	18	3 908 885	4 166 549
Provisions	21	9 260 398	8 655 522
		18 338 712	18 461 240
Non-Current Liabilities		18 338 712	18 461 240
Current Liabilities		119 888 075	88 074 225
Total Liabilities		138 226 787	106 535 465
Assets		822 776 699	771 117 733
Liabilities		(138 226 787)	(106 535 465)
Net Assets		684 549 912	664 582 268
Accumulated surplus		684 549 914	664 582 269
Total Net Assets		684 549 914	664 582 269

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023
Revenue			
Revenue from exchange transactions			
Service charges	22	1 141 309	1 084 860
Construction contracts	23	21 179 565	7 720 163
Rental of facilities and equipment	24	148 053	162 373
Interest received from debtors		7 546 037	7 670 707
Licences and permits	25	601 371	497 279
Other income	26	852 900	5 927 444
Interest received - investment	27	17 508 254	10 585 684
Gain on disposal of assets and liabilities		929 618	-
Actuarial gains		930 000	796 012
Total revenue from exchange transactions		50 837 107	34 444 522
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	15 559 721	10 466 747
Transfer revenue			
Government grants & subsidies	29	281 937 814	258 944 964
Public contributions and donations	30	-	2 250 000
Fines, Penalties and Forfeits	31	254 700	224 700
Total revenue from non-exchange transactions		297 752 235	271 886 411
		50 837 107	34 444 522
		297 752 235	271 886 411
Total revenue		348 589 342	306 330 933
Expenditure			
Employee related costs	32	(102 531 274)	(94 984 647)
Remuneration of councillors	33	(14 240 129)	(13 344 066)
Depreciation and amortisation	34	(59 853 187)	(59 604 266)
Impairments of assets		(292 492)	-
Finance costs	35	(3 912 552)	(2 013 723)
Lease rentals on operating lease	36	(3 468 025)	(2 716 297)
Debt Impairment	37	(13 402 669)	(7 431 377)
Contracted services	38	(49 687 731)	(28 089 096)
Transfers and Subsidies	39	(8 002 841)	(8 204 412)
Inventories losses/write-downs		(371 269)	-
General Expenses	40	(72 859 528)	(67 567 002)
Total expenditure		(328 621 697)	(283 954 886)
		-	-
Total revenue		348 589 342	306 330 933
Total expenditure		(328 621 697)	(283 954 886)
Operating surplus/deficit		-	-
Surplus before taxation		19 967 645	22 376 047
Taxation		-	-
Surplus for the year		19 967 645	22 376 047

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	625 359 163	625 359 163
Adjustments		
Correction of errors	16 847 059	16 847 059
Balance at 01 July 2022 as restated*	642 206 222	642 206 222
Changes in net assets		
Surplus for the year	22 376 047	22 376 047
Total changes	22 376 047	22 376 047
Opening balance as previously reported	676 353 052	676 353 052
Adjustments		
Correction of errors	(11 770 783)	(11 770 783)
Balance at 01 July 2023 as restated*	664 582 269	664 582 269
Changes in net assets		
Surplus for the year	19 967 645	19 967 645
Total changes	19 967 645	19 967 645
Balance at 30 June 2024	684 549 914	684 549 914

Note(s)

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023
Cash flows from operating activities			
Receipts			
VAT Refunds		17 193 284	18 314 710
Grants		292 300 206	279 882 875
Interest income		17 508 254	10 585 684
Receipts from consumers		16 805 456	7 093 462
Receipts from customers		24 368 000	8 880 000
		<u>368 175 200</u>	<u>324 756 731</u>
Payments			
Employee costs		(101 332 345)	(94 564 644)
Remuneration of councillors		(14 240 129)	(13 344 066)
Finance Costs		(1 819 446)	(21 627)
Suppliers		(155 230 874)	(94 430 712)
Grants and subsidies paid		(9 203 267)	(9 435 074)
		<u>(281 826 061)</u>	<u>(211 796 123)</u>
Total receipts		368 175 200	324 756 731
Total payments		(281 826 061)	(211 796 123)
Net cash flows from operating activities	43	<u>86 349 139</u>	<u>112 960 608</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	<u>(66 249 324)</u>	<u>(81 071 322)</u>
Cash flows from financing activities			
Finance lease payments		<u>(626 263)</u>	<u>(943 413)</u>
Net increase/(decrease) in cash and cash equivalents		19 473 552	30 945 873
Cash and cash equivalents at the beginning of the year		152 933 349	121 987 476
Cash and cash equivalents at the end of the year	9	<u>172 406 901</u>	<u>152 933 349</u>

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

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						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	130 000	-	130 000	-	(130 000)	
Service charges	1 500 000	935 000	2 435 000	1 141 309	(1 293 691)	[A1]
Construction contracts	-	-	-	21 179 565	21 179 565	
Rental of facilities and equipment	200 000	-	200 000	148 053	(51 947)	
Interest received (trading)	5 030 000	535 000	5 565 000	7 546 037	1 981 037	[A2]
Licences and permits	120 000	-	120 000	601 371	481 371	[A3]
Other income 1	1 557 000	13 000	1 570 000	852 900	(717 100)	[A4]
Interest received - investment	49 201 000	19 100 000	68 301 000	17 508 254	(50 792 746)	[A5]
Gains on disposal of assets	301 500	500	302 000	929 618	627 618	[A6]
Total revenue from exchange transactions	58 039 500	20 583 500	78 623 000	49 907 107	(28 715 893)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	11 965 000	3 000 000	14 965 000	15 559 721	594 721	[A7]
Transfer revenue						
Government grants & subsidies	200 917 000	(164 000)	200 753 000	281 937 814	81 184 814	[A8]
Fines, Penalties and Forfeits	100 000	-	100 000	254 700	154 700	
Total revenue from non-exchange transactions	212 982 000	2 836 000	215 818 000	297 752 235	81 934 235	
'Total revenue from exchange transactions'	58 039 500	20 583 500	78 623 000	49 907 107	(28 715 893)	
'Total revenue from non-exchange transactions'	212 982 000	2 836 000	215 818 000	297 752 235	81 934 235	
Total revenue	271 021 500	23 419 500	294 441 000	347 659 342	53 218 342	
Expenditure						
Employee related costs	(95 990 000)	(16 925 000)	(112 915 000)	(102 531 274)	10 383 726	[A9]
Remuneration of councillors	(14 101 000)	(2 690 000)	(16 791 000)	(14 240 129)	2 550 871	[A10]
Depreciation and amortisation	(57 414 000)	300 000	(57 114 000)	(59 853 187)	(2 739 187)	[A11]
Impairment loss/ Reversal of impairments	-	-	-	-	-	
Finance costs	(274 000)	-	(274 000)	(3 912 552)	(3 638 552)	[A12]
Debt Impairment	(1 456 000)	(1 977 000)	(3 433 000)	(13 402 669)	(9 969 669)	[A13]
Inventory consumed	(2 946 000)	(359 000)	(3 305 000)	-	3 305 000	[A14]
Contracted Services	(25 739 000)	(389 000)	(26 128 000)	(49 687 731)	(23 559 731)	[A15]
Transfers and Subsidies	(15 130 000)	(1 465 000)	(16 595 000)	(8 002 841)	8 592 159	[A16]
Irrecoverable debts writtten off	(4 867 000)	-	(4 867 000)	-	4 867 000	
General Expenses	(82 528 000)	633 000	(81 895 000)	(72 859 528)	9 035 472	[A17]
Total expenditure	(300 445 000)	(22 872 000)	(323 317 000)	(324 489 911)	(1 172 911)	
	-	-	-	-	-	
Surplus before taxation	33 306 000	18 236 000	51 542 000	-	(51 542 000)	
	33 306 000	18 236 000	51 542 000	-	(51 542 000)	

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

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						
Deficit before taxation	33 306 000	18 236 000	51 542 000	19 967 645	(31 574 355)	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	33 306 000	18 236 000	51 542 000	19 967 645	(31 574 355)	

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

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						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	61 985 000	-	61 985 000	1 183 343	(60 801 657)	[B1]
Receivables from exchange transactions	1 940 000	1 600 000	3 540 000	3 831 562	291 562	[B2]
Receivables from non-exchange transactions	9 800 000	(275 000)	9 525 000	6 973 816	(2 551 184)	[B3]
VAT receivable	3 679 000	-	3 679 000	5 376 187	1 697 187	[B3]
Cash and cash equivalents	113 548 000	(795 000)	112 753 000	172 406 901	59 653 901	[B4]
	190 952 000	530 000	191 482 000	189 771 809	(1 710 191)	
Non-Current Assets						
Investment property	4 462 385	1 500 000	5 962 385	13 168 187	7 205 802	[B5]
Property, plant and equipment	554 070 000	42 653 000	596 723 000	618 518 303	21 795 303	[B6]
Intangible assets	513 000	-	513 000	-	(513 000)	[B7]
	559 045 385	44 153 000	603 198 385	631 810 190	28 611 805	
Non-Current Assets	559 045 385	44 153 000	603 198 385	631 810 190	28 611 805	
Current Assets	190 952 000	530 000	191 482 000	189 771 809	(1 710 191)	
Total Assets	749 997 385	44 683 000	794 680 385	821 581 999	26 901 614	
Liabilities						
Current Liabilities						
financial liabilities	(1 773 000)	-	(1 773 000)	-	1 773 000	
Payables from exchange transactions	(39 055 000)	-	(39 055 000)	67 292 893	106 347 893	[B7]
Taxes and transfers payable (non-exchange)	(8 099 000)	-	(8 099 000)	-	8 099 000	
VAT payable	(1 181 000)	-	(1 181 000)	-	1 181 000	
Consumer deposits	(61 000)	-	(61 000)	61 000	122 000	
Provisions	(15 197 185)	-	(15 197 185)	1 255 612	16 452 797	[B9]
	(65 366 185)	-	(65 366 185)	103 421 579	168 787 764	
Non-Current Liabilities						
Borrowings	(2 682 000)	-	(2 682 000)	-	2 682 000	
Provisions	(11 042 000)	-	(11 042 000)	9 260 398	20 302 398	[B9]
	(13 724 000)	-	(13 724 000)	9 260 398	22 984 398	
	(65 366 185)	-	(65 366 185)	103 421 579	168 787 764	
	(13 724 000)	-	(13 724 000)	9 260 398	22 984 398	
	-	-	-	-	-	
Total Liabilities	(79 090 185)	-	(79 090 185)	112 681 977	191 772 162	
Assets	749 997 385	44 683 000	794 680 385	821 581 999	26 901 614	
Liabilities	79 090 185	-	79 090 185	(112 681 977)	(191 772 162)	
Net Assets	829 087 570	44 683 000	873 770 570	708 900 022	(164 870 548)	

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

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						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	829 087 570	44 683 000	873 770 570	684 549 914	(189 220 656)	

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

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						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	6 047 000	6 381 000	12 428 000	14 556 501	2 128 501	
Service Charge	1 011 000	(130 000)	881 000	1 141 309	260 309	
Transfers and subsidies - operational	200 917 000	376 000	201 293 000	292 300 206	91 007 206	
Interest income	7 500 000	7 000 000	14 500 000	17 508 254	3 008 254	
Other income	2 107 000	(4 436 000)	(2 329 000)	-	2 329 000	
Transfers and subsidies - capital	88 298 000	49 179 000	137 477 000	67 724 820	(69 752 180)	
	305 880 000	58 370 000	364 250 000	393 231 090	28 981 090	
Payments						
Suppliers and employees	(221 265 000)	(25 730 000)	(246 995 000)	(149 466 435)	97 528 565	
Finance Costs	(274 000)	-	(274 000)	(1 819 446)	(1 545 446)	
Grants and subsidies paid	(15 130 000)	(1 465 000)	(16 595 000)	9 203 267	25 798 267	
	(236 669 000)	(27 195 000)	(263 864 000)	(142 082 614)	121 781 386	
Total receipts	305 880 000	58 370 000	364 250 000	393 231 090	28 981 090	
Total payments	(236 669 000)	(27 195 000)	(263 864 000)	(142 082 614)	121 781 386	
Net cash flows from operating activities	69 211 000	31 175 000	100 386 000	251 148 476	150 762 476	
Cash flows from investing activities						
Purchase of property, plant and equipment	(124 551 000)	(39 227 000)	(163 778 000)	(75 946 705)	87 831 295	
Proceeds from sale of property, plant and equipment	302 000	-	302 000	-	(302 000)	
Purchase of investment	-	-	-	40 000 000	40 000 000	
Net cash flows from investing activities	(124 249 000)	(39 227 000)	(163 476 000)	(35 946 705)	127 529 295	
Cash flows from financing activities						
Net increase/(decrease) in cash and cash equivalents	(55 038 000)	(8 052 000)	(63 090 000)	214 918 161	278 008 161	
Cash and cash equivalents at the beginning of the year	121 987 475	-	121 987 475	146 974 002	24 986 527	
Cash and cash equivalents at the end of the year	66 949 475	(8 052 000)	58 897 475	361 892 163	302 994 688	

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

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 numerically above R250 000 are explained below:

[A1] The Municipality billed all the consumers for Service charges as 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 actual amount.

[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-payment 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 less than budgeted for because the municipality had received less commissions , sold less tenders in the current year than the prior year which the budget was based on.

[A5] Interest received from investment is less than budgeted for because the municipality did not keep the funds on the bank as anticipated all the monies received from the bank were used immediately after being received to delivery services to the communities

[A6] Gains on disposal of assets is more than budgeted for because the municipality sold more assets at a profit than they had anticipated when doing the budget.

[A7] 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.

[A8] 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 and INEP we received more than the allocated amount.

[A9] Employee related costs was less than the budget because of less overtime worked, few appointments and more resignations during the financial year under review.

[A10] Councilor's remuneration is less than budgeted due to the movements of councillors following the local movement election

[A11] 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.

[A12] Finance Cost is more than budgeted for because the municipality incurred and paid SARS amounts for interest based on late submission of the PAYE returns

[A13] Debt Impairment is more than the budgeted amount because the municipality had debts write off and also due to non payment of the debts from the customers which increased the the debtors balances.

[A14] Inventory Variances came up due to more stock items written off

[A15] Contracted services is more than the budgeted amount because of the reclassification of the INEP projects as per the guidelines, the electrification expenditure for the now accounted for as contracted services.

[A16] Transfers and subsidies to Port St Johns Development Agency (PJSDA) were less than budgeted due to changes in the Agency's business plans.

[A17] General Expenses is less than budgeted for because there is an decrease INEP projects in the current year.

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

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

[B1] Inventories is less than the amount budgeted for because the municipality have no correctly accounted for the INEP projects that were sitting in the inventory in the previous year where the budget was based on.

[B2] Receivables from exchange transaction is less than budgeted for because of the insurance amounts that were paid to the at year end.

[B3] Consumer debtors and rates debtors were budgeted as one figure. The total actual amounts are more than budgeted because the rate payers and consumers are not paying their accounts and higher impairment had to be recognised.

[B4] Cash and cash equivalents are more than the budgeted amounts because of the amounts which were received from grants in the current year.

[B5] Investment Property is more than budgeted for because of the because the budget was based in prior years.

[B6] Property Plant and equipment is more than the budgeted amount because in the current year the municipality re-assessed useful lives of the assets and the depreciation movement.

[B7] Payables from exchange transaction is more than budgeted for due to increase in the trade payables and accruals, monies the municipality has not yet paid to the suppliers.

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Significant accounting policies

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

1.1 Basis of preparations

The 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 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.

1.2 Presentation currency

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

1.3 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.

1.4 Materiality

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

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 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 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.

1.6 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

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.6 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).

1.7 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.

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.7 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:

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 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

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.7 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).

1.8 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.

1.9 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

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.9 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:

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

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.

1.10 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 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.

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.10 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).

1.11 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

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.11 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

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.11 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

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.11 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

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.11 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.

1.12 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

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.12 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, a 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

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Accounting Policies

1.12 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.

1.13 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.

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Accounting Policies

1.14 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.

1.15 Construction contracts

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

Port St Johns Local Municipality

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Accounting Policies

1.15 Construction contracts (continued)

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.16 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.

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.

Port St Johns Local Municipality

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Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Value in use

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

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

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.

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.

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Accounting Policies

1.16 Impairment of cash-generating assets (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.

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Accounting Policies

1.16 Impairment of cash-generating assets (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.

1.17 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.

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Accounting Policies

1.17 Construction contracts (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.

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Accounting Policies

1.17 Construction contracts (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.

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1.18 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

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Accounting Policies

1.18 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

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.18 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.

1.19 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

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.19 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

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.19 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 1.16 and 1.17.

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.

1.20 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.

1.21 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

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.21 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.

1.22 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

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.22 Revenue from non-exchange transactions (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

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.22 Revenue from non-exchange transactions (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

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.22 Revenue from non-exchange transactions (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.

1.23 Investment income

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

1.24 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.

1.25 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.

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.25 Unauthorised expenditure (continued)

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).

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

1.26 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 as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Irregular expenditure

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

Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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.

1.28 Segment information

A segment is an activity of an entity:

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

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.28 Segment information (continued)

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

Measurement

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

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

1.29 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 an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 Jul 2023 to 30 Jun 2024.

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.

1.30 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 ventures).

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.

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Accounting Policies

1.30 Related parties (continued)

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.

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.

1.31 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.

1.32 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.

1.33 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

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand

2024

2023

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 01 July 2024 or later periods:

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 in the 2098/2099 financial statements.

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

GRAP 104 (as revised): Financial Instruments

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 not yet set by the Minister of Finance.

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

The impact of this standard is currently being assessed.

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand 2024 2023

3. Inventories

Consumable stores 1 183 343 1 554 612

3.1 Inventory is categorised as follows

Construction Material [1]	-	142 447
Protective and cleaning material	107 317	25 119
Gardening	-	213 076
Mechanical tools and spare parts	1 076 047	1 139 230
Fuel and Oil	-	24 276
COVID 19 equipment	-	10 484
	1 183 364	1 554 632

Inventories recognised as an expense during the year 1 183 364 1 554 632

[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.

Inventories pledged as security

No inventory was pledged as security.

Inventories losses/ write-downs or (gains)

Inventory write-down to net replacement cost 371 268 98 132

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 R371 268 (2023:98 132)

4. Receivables from exchange transactions

Expenditure paid in advance [1]	2 706 792	2 523 354
Sundry Debtors [2]	1 090 969	32 319
Suspense Account [3]	33 801	33 801
	3 831 562	2 589 474

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

Expenditure paid in advance 2 706 792 2 523 354

Financial asset receivables included in receivables from exchange transactions above **1 124 770** **66 120**

Total receivables from exchange transactions **3 831 562** **2 589 474**

Statutory receivables general information

Determination of transaction amount

[1] These relates 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.

[2] Sundry debtors are composed of overpayments of Councillors emanating from prior years, and monies receivable from the auction for disposal of assets was not yet received by the municipality at 30 June 2024.

[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.

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand	2024	2023
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4. Receivables from exchange transactions (continued)

Trade and other receivables pledged as security

There were no receivables from exchange transactions pledged as security.

5. Receivables from non-exchange transactions

Fines	1 144 675	935 275
Public contributions and subsidies	1 774 125	1 576 125
Consumer debtors - Rates	4 055 016	3 151 506
	6 973 816	5 662 906

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

Fines	1 144 675	935 275
Property rates	4 055 016	3 151 506
Grants	1 774 125	1 576 125
	6 973 816	5 662 906

Total receivables from non-exchange transactions	6 973 816	5 662 906
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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% (2023:15%) 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 nor 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

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand 2024 2023

5. Receivables from non-exchange transactions (continued)

Consumer receivables from rates are billed annually. Interest is charged on overdue consumer receivables at a rate of 15% (2023:15%) 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 that were allocated to the municipality and not yet received at year end.

6. VAT receivable

VAT	5 376 712	1 311 116
VAT		
June Refund	1 889 524	1 467 443
Total cash basis	1 889 524	1 467 443
Accrual basis	-	-
Provisional VAT input VAT	4 719 394	1 086 312
Provisional Output VAT	(1 232 730)	(1 242 639)
	5 376 188	1 311 116

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.

7. Consumer debtors

Gross balances

Refuse	11 182 052	13 892 166
Housing rental	161 616	161 616
	11 343 668	14 053 782

Less: Allowance for impairment

Refuse	(9 987 877)	(12 839 621)
Housing rental	(161 616)	(161 616)
	(10 149 493)	(13 001 237)

Net balance

Refuse	1 194 175	1 052 545
--------	-----------	-----------

Refuse

Current (0 -30 days)	88 128	199 017
31 - 60 days	85 301	199 801
61 - 90 days	80 347	197 616
91 - 120 days	79 988	195 577
121 - 365 days	10 848 288	13 100 155
	11 182 052	13 892 166

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand	2024	2023
7. Consumer debtors (continued)		
Summary of debtors by customer classification		
Residential		
Current (0 -30 days)	20 431	42 295
31 - 60 days	20 285	41 892
61 - 90 days	19 847	41 583
91 - 120 days	19 638	41 081
121 - 365 days	3 086 079	3 043 456
	3 166 280	3 210 307
Business		
Current (0 -30 days)	45 888	94 670
31 - 60 days	43 207	94 128
61 - 90 days	38 691	92 581
91 - 120 days	38 541	92 057
121 - 365 days	3 836 555	5 064 466
	4 002 882	5 437 902
National and provincial government		
Current (0 -30 days)	21 809	62 053
31 - 60 days	21 809	63 780
61 - 90 days	21 809	63 452
91 - 120 days	21 809	62 439
121 - 365 days	3 864 268	4 928 276
	3 951 504	5 180 000
Total		
Current (0 -30 days)	88 128	199 017
30 -60 days	85 301	199 801
61 - 90 days	80 347	197 616
91 - 120 days	79 988	195 577
121 - 365 days	10 848 288	13 100 155
	11 182 052	13 892 166
Less: Allowance for impairment	(9 987 877)	(12 839 621)
	1 194 175	1 052 545
Reconciliation of allowance for impairment		
Balance at beginning of the year	(13 001 237)	(11 316 370)
Contributions to allowance	2 851 744	(1 684 867)
	(10 149 493)	(13 001 237)

Consumer debtors pledged as security

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

Credit quality of consumer debtors

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.:

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

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand

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7. Consumer debtors (continued)

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note). 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 class of loan mentioned above. The municipality does not hold any collateral as security.

8. Consumer debtors disclosure

Gross balances

Consumer debtors - Rates	60 282 059	48 802 436
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Less: Allowance for impairment

Consumer debtors - Rates	(56 227 043)	(45 650 930)
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Net balance

Consumer debtors - Rates	4 055 016	3 151 506
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Rates

Current (0 -30 days)	259 164	644 571
31 - 60 days	158 563	657 963
61 - 90 days	155 309	656 761
91 - 120 days	155 154	653 149
121 - 365 days	59 553 869	46 189 992
	60 282 059	48 802 436

Residential

Current (0 -30 days)	136 844	197 503
31 - 60 days	98 202	196 014
61 - 90 days	96 580	195 481
91 - 120 days	96 580	192 760
121 - 365 days	17 810 656	15 280 662
	18 238 862	16 062 420

Business

Current (0 -30 days)	120 520	209 400
31 - 60 days	58 561	208 775
61 - 90 days	56 929	208 129
91 - 120 days	56 775	207 260
121 - 365 days	17 782 594	19 046 653
	18 075 379	19 880 217

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand	2024	2023
8. Consumer debtors disclosure (continued)		
National and provincial government		
Current (0 -30 days)	1 799	237 668
31 - 60 days	1 799	253 174
61 - 90 days	1 799	253 151
91 - 120 days	1 799	253 128
121 - 365 days	23 802 869	19 004 373
	23 810 065	20 001 494
Consumer debtors - rates		
Current (0 -30 days)	259 164	644 571
31 - 60 days	158 563	657 963
61 - 90 days	155 309	656 761
91 - 120 days	155 154	653 149
>121 days	59 553 869	46 104 406
Subtotal	60 282 059	48 716 850
Less: Allowance for impairment	(56 227 043)	(45 650 930)
	4 055 016	3 065 920
Reconciliation of allowance for impairment		
Balance at beginning of the year	(45 650 930)	(42 244 382)
Contributions to allowance	(10 576 113)	(3 406 548)
	(56 227 043)	(45 650 930)

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:

Investment	40 515 650	-
Short-term deposits	131 891 251	152 933 349
	172 406 901	152 933 349

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:

Credit rating

First National Bank	131 891 251	152 933 349
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Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand 2024 2023

9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
STD Bank - current account (1)	-	-	1 007 261	-	-	1 007 261
STD Bank - Salaries call account -9569-001	-	-	58 856 946	-	-	58 856 946
STD Bank -Repairs call account -9569-003	-	-	6 999 134	-	-	6 999 134
STC Bank account -FMG9569-006	-	-	6 448 621	-	-	6 448 621
STD Bank MIG call account 9569-008	-	-	310 840	-	-	310 840
STD Bank LED call account 9569-007	-	-	90 418	-	-	90 418
STD Bank -traffic call account - 9569-004	-	-	42 865 927	-	-	42 865 927
STD Bank - Plant call account - 9569-002	-	-	1 466 053	-	-	1 466 053
STD Bank -EPWP call account - 9569-011	-	-	3 571 504	-	-	3 571 504
STD BANK INEP call account - 9569-010	-	-	5 906	-	-	5 906
STD bank -DSRAC Call account -9569-009	-	-	358 866	-	-	358 866
FNB DSRAC call account 63008236829	-	3 819 527	-	-	3 819 527	-
FNB EPWP call account 63008236043	-	3 650 146	-	-	3 650 146	-
FNB LED call Account 63008238081	34 619 562	23 135 503	-	34 619 562	23 135 503	-
FNB INEP call Account 63008236407	933 712	30 455	-	933 712	30 455	-
FNB MIG call Account 63008237778	10 637 085	13 736 483	-	10 637 085	13 736 483	-
FNB Alien plant call account 63008235326	-	1 028 871	-	-	1 028 871	-
FNB Repair call account 63008239790	61 551 738	7 450 047	-	61 551 738	7 450 047	-
FNB Salaries call Account 63008240870	-	14 356 113	-	-	14 356 113	-
FNB Traffic call account - 63008239261	20 411 802	74 397 725	-	20 411 802	74 397 725	-
FNB FMG call account - 63008238750	-	6 864 068	-	-	6 864 068	-
FNB Main Account 63007016735	3 734 341	3 734 341	-	3 734 341	3 734 341	-
FNB Investment Account	40 515 650	-	-	40 515 650	-	-
Total	172 403 890	152 203 279	121 981 476	172 403 890	152 203 279	121 981 476

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

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10. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	13 649 242	(481 055)	13 168 187	13 649 242	(350 206)	13 299 036

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	13 299 036	(130 849)	13 168 187

Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Investment property	13 429 885	(130 849)	13 299 036

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

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand	2024	2023
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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

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

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11. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	20 392 718	(6 450 125)	13 942 593	13 797 906	780 709	14 578 615
Leased Assets	2 310 086	(1 878 059)	432 027	706 724	(706 724)	-
Community	56 296 032	(16 729 403)	39 566 629	40 720 566	(10 599 008)	30 121 558
Computer Equipment	5 697 520	(3 480 912)	2 216 608	8 043 278	(4 181 686)	3 861 592
Furniture and fixtures	4 378 079	(3 564 918)	813 161	3 999 784	(3 174 535)	825 249
Infrastructure	734 957 984	(406 027 468)	328 930 516	697 100 495	(348 504 072)	348 596 423
Work in progress	142 095 322	-	142 095 322	101 509 094	-	101 509 094
Land	73 876 552	-	73 876 552	73 876 552	-	73 876 552
Plant and machinery	53 574 222	(42 505 446)	11 068 776	52 288 861	(37 405 138)	14 883 723
Transport assets	17 782 433	(12 206 314)	5 576 119	13 406 395	(9 215 919)	4 190 476
Total	1 111 360 948	(492 842 645)	618 518 303	1 005 449 655	(413 006 373)	592 443 282

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Buildings	14 578 615	195 669	-	-	(831 691)	-	13 942 593
Leased Assets	-	-	-	966 481	(534 454)	-	432 027
Community Assets	30 121 558	-	-	11 521 826	(2 076 756)	-	39 566 629
Computer Equipment	3 861 592	990 811	(280 513)	(966 479)	(1 388 803)	-	2 216 608
Computer software	-	-	-	-	-	-	-
Furniture and fixtures	825 249	378 295	-	-	(390 383)	-	813 161
Infrastructure	348 596 423	-	-	30 080 620	(49 746 527)	-	328 930 516
Work in progress	101 509 094	82 188 676	-	(41 602 448)	-	-	142 095 322
Land	73 876 552	-	-	-	-	-	73 876 552
Motor vehicles	4 190 476	2 194 037	(71 918)	-	(736 476)	-	5 576 119
Plant and machinery	14 883 723	347 000	-	-	(3 869 457)	(292 490)	11 068 776
	592 443 282	86 294 488	(352 431)	-	(59 574 547)	(292 490)	618 518 303

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers received	Depreciation	Total
Buildings	15 068 642	334 000	-	(824 027)	14 578 615
Leased Assets	208 542	-	-	(208 542)	-
Community Asset	32 059 302	198 750	-	(2 136 494)	30 121 558
Computer equipment	4 153 374	1 315 099	-	(1 606 970)	3 861 592
Furniture and fixtures	1 137 348	69 998	-	(382 097)	825 249
Infrastructure	369 664 739	-	26 206 035	(47 269 062)	348 596 423
Work in progress	59 985 239	67 729 890	(26 206 035)	-	101 509 094
Land	73 876 552	-	-	-	73 876 552
Motor vehicles	2 684 634	2 609 042	-	(1 103 200)	4 190 476
Plant and machinery	16 972 751	3 683 686	-	(5 772 714)	14 883 723
	575 811 123	75 940 465	-	(59 303 106)	592 443 282

Pledged as security

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

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand	2024	2023
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11. Property, plant and equipment (continued)

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 Noqhekwana access, Nyakeni Access Road and Mbanjana Access Road.

Gabelana to Noqhekwana 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.

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

Gabelana to Noqhekwana Access Road There were disputes and misunderstanding between the contractor and the municipality, therefore the project was stopped.	7 318 989	7 318 989
Nyakeni Access Road There were disputes and misunderstanding between the contractor and the municipality, therefore the project was stopped.	6 077 515	6 077 515
Mbanjana Access Access Road The project was stopped because of community strike and then the was conflict between the contractor and the community at large.	3 096 095	3 096 095
	16 492 599	16 492 599

Reconciliation of Work-in-Progress 2024

	Infrastructure (Includes Electrification projects)	Total
Opening balance	101 509 094	101 509 094
Additions/capital expenditure	82 188 676	82 188 676
Transferred to completed items	(41 602 448)	(41 602 448)
	142 095 322	142 095 322

Reconciliation of Work-in-Progress 2023

	Infrastructure (Includes Electrification projects)	Total
Opening balance	59 985 239	59 985 239
Additions/capital expenditure	67 729 890	67 729 890
Transferred to completed items	(26 206 035)	(26 206 035)
	101 509 094	101 509 094

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand	2024	2023
11. Property, plant and equipment (continued)		
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Furniture and office equipment	507 446	41 065
Infrastructure	4 017 447	3 889 459
IT equipment	406 054	196 333
Transport assets	1 560 972	1 376 365
Plant and machinery	5 378 781	5 154 624
Community assets	509 547	438 684
	12 380 247	11 096 530

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

Financial Statements for the year ended 30 June 2024

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12. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Indigent Software	-	-	-	(344 189)	491 902	147 713

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Indigent software	147 713	(147 712)	-

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Intangible assets 1	491 902	(344 189)	147 713

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

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13. Heritage assets

	2024			2023		
	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 2024

Municipal Jewellery	Opening balance	Total
	123 700	123 700

Reconciliation of heritage assets 2023

Municipal Jewellery	Opening balance	Total
	123 700	123 700

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand	2024	2023
14. Finance lease obligation		
Minimum lease payments due		
- within one year	659 182	791 018
- in second to fifth year inclusive	-	659 182
	659 182	1 450 200
less: future finance charges	(49 107)	(213 862)
Present value of minimum lease payments	610 075	1 236 338
Present value of minimum lease payments due		
- within one year	610 075	626 263
- in second to fifth year inclusive	-	610 075
	610 075	1 236 338
Non-current liabilities	-	610 076
Current liabilities	610 076	626 263
	610 076	1 236 339

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

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

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. Operating lease liability

Operating leases

Within one year	295 763	271 343
Second to fifth year inclusive	1 474 295	1 352 565
more than five year	5 781 395	6 077 705
	7 551 453	7 701 613
Non-current liabilities	5 169 429	5 029 093
Current liabilities	2 382 024	2 264 628
	7 551 453	7 293 721

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.

16. Payables from exchange transactions

Trade payables [1]	26 396 813	20 300 518
Payments received in advanced [2]	4 555 147	-
Unallocated Deposits [3]	3 711 708	3 188 750
Retention	14 420 320	7 190 411
Accrued leave pay	9 196 006	8 093 405
Accrued bonus	2 079 652	1 808 584
Payroll accruals	789 387	2 196 753
OR Tambo advance [4]	6 132 284	6 132 284
Other Payables [5]	-	30 500
Advanced Receipts (INEP)	11 576	1 576
	67 292 893	48 942 781

Port St Johns Local Municipality

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16. Payables from exchange transactions (continued)

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

[2] This refers to customer debtors with credit balances.

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

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

[5] The municipality has an agreement with Caguba Trust relating to the land used as parking at second beach that for every revenue generated from the parking the municipality will give them 50% of the collected revenue. At year end the municipality had collected R61 000 and not yet paid the 50% to the Caguba Trust.

17. Consumer deposits

Refuse 61 000 61 000

18. 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	(4 438 275)	(4 613 015)
Non-current liabilities	(3 908 885)	(4 166 549)
Current liabilities	(529 390)	(446 466)
	(4 438 275)	(4 613 015)

[Provide a brief description of the link between the reimbursement right(s) and the related obligation]

The fair value of plan assets includes:

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

Opening balance	4 613 015	4 708 000
Benefits paid	(217 661)	(289 973)
Net expense recognised in the statement of financial performance	42 921	194 988
	4 438 275	4 613 015

Net expense recognised in the statement of financial performance

Current service cost	519 457	519 000
Interest cost	453 464	472 000
Actuarial (gains) losses	(930 000)	(796 012)
	42 921	194 988

Calculation of actuarial gains and losses

Basis changes : Increase in net discount rates	(57 542)	(154 361)
Salary increase higher than assumed	4 590	344 942
Changes to employee profile different from assumed	(773 163)	(581 695)
Actual benefits vesting, lower than expected	(103 885)	(404 898)
	(930 000)	(796 012)

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

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18. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10,03 %	10,33 %
Expected increase in salaries	5,59 %	6,21 %
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 (2023: 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 10.03% (2023: 10.33%). These rates are deduced from the interest rate data obtained from the JSE after the market close on 30 June 2024.

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 5,59% (2023: 6,21%) 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.

19. Investment

The Municipality has made an investment of R40 000 000 with First National Bank and earned an interest of R515 650 during the 2024 financial year.

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Expanded Public Works and Receipts	-	121 459
Finance Management Grant	2	-
Department of Sports, Recreation, Arts and Culture	283 270	289 578
Municipal Infrastructure Grant	2 982 949	3 054 487
Eradication of Alien Plants	186 951	186 951
Municipal Disaster Relief Grant	30 829 512	20 534 563
	34 282 684	24 187 038

Port St Johns Local Municipality

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20. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	24 187 038	5 106 492
Amounts refunded to Treasury	-	(2 530 000)
Additions during the year	84 487 045	78 694 000
Amount transfer to revenue	(74 391 399)	(57 083 454)
	34 282 684	24 187 038

[1] See note 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:

21. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	9 905 610	(639 688)	1 250 088	10 516 010

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
Non-current liabilities			9 260 398	8 655 522
Current liabilities			1 255 612	1 250 088
			10 516 010	9 905 610

Key financial assumptions used

	2024	2023
Discount rate (D)	13	11
Consumer price inflation (C)	7	7
Net discount rate $((1+D)/(1+H)-1)$	5	4
	-	-

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 21 years and is estimated that R29 888 770 (2023: 28 197 405) 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 2024 was 11.94% p.a.. The consumer price inflation of 6.51% p.a. was obtained from the differential between the averages of the Nominal Bond of 11.94% p.a. and the Real Bond of 5.10% 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 2024.

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand	2024	2023
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22. Service charges

Refuse removal	1 141 309	1 084 860
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23. Construction contracts

Agreements that meet all the criteria in GRAP 11

The municipality recognise revenue using the percentage of completion method for agreements that meet all the criteria in paragraph .29 of GRAP 11 continuously as construction progresses.

The entity determines which agreements meet all the criteria in paragraph .29 of the Standard of GRAP on Revenue from Exchange Transactions continuously as construction progresses in the following manner

Initial amount of contract revenue agreed in the contract	21 179 565	7 720 163
contract costs incurred to date	21 179 565	7 720 163
Stage of completion	100	100

24. Rental of facilities and equipment

Premises

Premises	104 348	146 476
Rental Hall	43 705	15 897
	148 053	162 373
Premises	148 053	162 373
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.

25. Licences and permits

Trading licences	24 309	31 064
Other Licences [1]	577 062	466 215
	601 371	497 279

[1] Other licences is made up of Learners' drivers licences and community licenses

26. Other income

Plan and tender documents fees	32 114	96 259
Sundry Income [1]	639 688	4 927 991
Grave Sites	13 183	6 278
Commission received	135 361	136 654
Claims Received [2]	32 554	760 262
	852 900	5 927 444

[1] The sundry income relates the decrease in landfill site provision amounting to R639 688 (2023: R2 308 204) that is accounted as a gain in line with IGRAP2 requirements.

[2] This relates to insurance claims received.

Port St Johns Local Municipality

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27. Investment revenue		
Interest revenue		
Bank	17 508 254	10 585 684
	-	-
	<u>17 508 254</u>	<u>10 585 684</u>

This relates to the interest received by the municipality in the current year from the different call accounts as well as the investment account.

28. Property rates

Rates received

Property rates	<u>15 559 721</u>	<u>10 466 747</u>
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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 Plot	68 478 000	68 478 000
Place of worship	7 232 000	7 232 000
	<u>1 026 032 795</u>	<u>1 026 032 795</u>

Valuations on land and buildings are performed every 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 (2023: 15%).

Port St Johns Local Municipality

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29. Government grants & subsidies

Operating grants

Equitable share	193 713 000	182 985 000
Expanded Public Works Programme	1 926 459	1 993 385
Finance Management Grant	2 649 998	3 216 404
Local Government Sector Education and Training Authority	82 791	96 511
Department of Sports, Recreation, Arts and Culture	556 308	260 422
Eradication of alien plants project	-	-
	198 928 556	188 551 722

Capital grants

Municipal Infrastructure Grant	45 309 792	35 879 051
Small Town Revitalisation	13 833 415	20 000 000
Disaster Relief Grant	23 866 051	13 295 437
Eradication of alien plants	-	1 218 754
	83 009 258	70 393 242
	198 928 556	188 551 722
	83 009 258	70 393 242
	281 937 814	258 944 964

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	74 391 399	55 959 964
Unconditional grants received	207 546 415	202 985 000
	281 937 814	258 944 964

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 (2023: 50kWH) which is funded from the the equitable share grant. Refuse removal services for a tariff of 100% of amount billed (2023: 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	95 611	-
Current-year receipts	82 791	-
Current Year Receipts	-	95 611
	178 402	95 611

Conditions still to be met - remain liabilities (see note 20).

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	121 459	532 844
Current-year receipts	1 805 000	1 582 000
Conditions met - transferred to revenue	(1 926 459)	(1 993 385)
	-	121 459

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand	2024	2023
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29. Government grants & subsidies (continued)

Conditions still to be met - remain liabilities (see note 20).

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
Amounts refunded to National Treasury	-	(1 100 000)
Current Year receipts	2 650 000	2 650 000
Conditions met- transferred to revenue	(2 649 998)	(3 216 404)
	2	-

Conditions still to be met - remain liabilities (see note 20).

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

Department of Sports, Recreation , Arts and Culture

Balance unspent at beginning of year	289 578	-
Current year- receipts	550 000	550 000
Conditions met - transferred to revenue	(556 308)	(260 422)
	283 270	289 578

Conditions still to be met - remain liabilities (see note 20).

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	3 054 487	1 471 539
Current-year receipts	45 703 000	38 862 000
Conditions met - transferred to revenue	(45 702 950)	(35 879 052)
Amount transferred to national treasury	-	(1 400 000)
	3 054 537	3 054 487

Conditions still to be met - remain liabilities (see note 20).

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..

Eradication of alien plants project

Balance unspent at beginning of year	186 955	1 405 705
Conditions met - transferred to revenue	-	(1 218 750)
	186 955	186 955

Conditions still to be met - remain liabilities (see note 20).

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 was that it contributes to the conservation of the natural resources.

Disaster Relief Grant

Port St Johns Local Municipality

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Notes to the Financial Statements

Figures in Rand	2024	2023
29. Government grants & subsidies (continued)		
Balance unspent at beginning of year	20 534 563	-
Current-year receipts	34 161 000	33 830 000
Conditions met - transferred to revenue	(23 866 051)	(13 295 437)
	30 829 512	20 534 563

Conditions still to be met - remain liabilities (see note 20).

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

30. Donations Received

Public contributions and donations 1	-	2 250 000
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Reconciliation of donations received

Transport Assets (Truck) donated by department of forestry fisheries and the environment	-	2 250 000
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There were no donation received in the current year.

31. Fines, Penalties and Forfeits

Municipal Traffic Fines	254 700	224 700
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Port St Johns Local Municipality

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Notes to the Financial Statements

Figures in Rand	2024	2023
32. Employee related costs		
Basic	69 875 054	63 771 835
Medical aid - company contributions	5 450 853	5 189 234
UIF	470 334	541 708
Leave pay provision charge	1 904 641	628 193
Pension	9 058 409	8 664 112
Overtime payments	9 354 219	7 997 919
Long-service awards	519 457	519 000
Acting allowances	1 388 622	1 643 584
Car allowance	1 014 420	-
Allowances	3 495 265	6 029 062
	102 531 274	94 984 647

[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.

Remuneration of municipal manager - HT Hlazo

Annual Remuneration	-	381 154
Car Allowance	-	30 000
Contributions to UIF, Medical and Pension Funds	-	4 666
Other allowances (housing, remote and travel)	-	11 681
	-	427 501

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

Remuneration of Municipal Manager - M Fihlani

Annual Remuneration	1 360 348	708 047
Contributions to UIF, Medical and Pension Funds	16 241	8 604
Other Allowances	51 249	29 191
	1 427 838	745 842

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

Remuneration of Corporate Services Manager - LT Somtseu

Annual Remuneration	-	327 366
Car Allowance	-	37 500
Contributions to UIF, Medical and Pension Funds	-	4 400
Other allowances (housing , remote and travel)	-	38 393
	-	407 659

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

Remuneration of Corporate Services Manager- S Matubatuba

Annual Remuneration	820 043	631 287
Car Allowance	285 644	92 000
Contributions to UIF, Medical and Pension Funds	13 455	22 293
Other allowances (housing, remote and travel)	101 050	38 921
	1 220 192	784 501

Remuneration of Engineering Services Manager -CCA O'Bose

Annual Remuneration	203 735	1 008 172
Car Allowance	25 000	148 470

Port St Johns Local Municipality

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Notes to the Financial Statements

Figures in Rand	2024	2023
32. Employee related costs (continued)		
Contributions to UIF, Medical and Pension Funds	3 543	13 829
Other allowances (housing , remote and travel)	95 135	83 081
	327 413	1 253 552

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

Annual Remuneration (Backpay)	-	12 279
Contributions to UIF, Medical and Pension Funds	-	123
	-	12 402

Mr. Guleni contract ended on the 31 November 2021 and was backpaid in the 2022/23 financial year.

Remuneration of Community service - Mr. E Mzayiya

Annual Remuneration	1 161 170	1 005 031
Contributions to UIF, Medical and Pension Funds	14 165	12 580
Other Allowances	42 767	97 509
	1 218 102	1 115 120

Remuneration of Local Economic Development - Mr. Xuku

Annual Remuneration	-	1 047 261
Contributions to UIF, Medical and Pension Funds	-	13 000
Other Allowances	-	40 196
	-	1 100 457

Contract ended on the 30 June 2023

Remuneration of chief finance officer -BA Mbana

Annual Remuneration	-	2 010 989
Contributions to UIF, Medical and Pension Funds	-	8 693
Other allowances (housing, remote and travel)	-	60 422
	-	2 080 104

Chief Finance Officer contract was terminated on the 31 January 2023

Remuneration of Acting Chief Finance Officer - Mr Shinta

Acting Allowance	-	51 928
Contributions to UIF, Medical and Pension Funds	-	11
Other Allowances	-	89 292
	-	141 231

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
	-	34 527

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

Port St Johns Local Municipality

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32. Employee related costs (continued)

Remuneration of Chief Finance Officer - T. Sikolo

Annual Remuneration	1 015 621	-
Contributions to UIF, Medical and Pension Funds	12 511	-
Other	40 625	-
	1 068 756	-

Local Economic Development Manager - S Batyi

Annual Remuneration	1 015 621	-
Contributions to UIF, Medical and Pension Funds	12 511	-
Other Allowances (Remote, Housing & Travel)	40 625	-
	1 068 756	-

33. Remuneration of councilors

Councilors 14 240 129 13 344 066

2024

	Annual Remuneration	Backpay	Housing Allowance	Sub & Travel Allowance	Cellphone Allowance	Retirement Allowance	Total
Mlombile Cingo N. Mayor	917 571	38 404	-	-	3 545	-	959 520
Nduku - Mazuza C- Speaker	734 058	31 103	-	-	-	-	765 161
X Moni - Chief Whip	688 180	29 279	-	-	-	-	717 459
Subtotal	2 339 809	98 786	-	-	3 545	-	2 442 140
Other Councillors	10 761 843	526 856	48 000	413 290	-	48 000	11 797 989
	13 101 652	625 642	48 000	413 290	413 290	48 000	14 240 129

2023

	Annual Remuneration	Backpay	Car Allowance	Sub and travel allowance	Cellphone Allowance	Total
Mlombile Cingo N. Mayor	886 685	-	-	4 864	3 545	895 094
Nduku Mazuza C-speaker	709 349	-	-	3 044	-	712 393
X Moni - Chief Whip	665 015	-	-	4 909	-	669 924
Subtotal	2 261 049	-	-	12 817	3 545	2 277 411
Other Councillors	10 490 363	2 584	413 290	112 418	48 000	11 066 655
	12 751 412	2 584	413 290	125 235	51 545	13 344 066

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 councilors are within the upper limits as determined by the framework envisaged in section 219 of the constitution.

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

Port St Johns Local Municipality

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34. Depreciation and amortisation		
Property, plant and equipment	59 574 626	59 129 228
Investment property	130 849	130 849
Intangible assets	147 712	344 189
	59 853 187	59 604 266
35. Finance Costs		
Other interest paid	3 912 552	2 013 723
[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 :		
Finance leases	164 755	270 545
Landfill site rehabilitation provision discounting	1 250 088	1 171 431
Long Service award	453 464	472 000
Interest on overdue accounts	8 371	12 866
Bank Charges	-	1 265
SARS	1 646 320	-
Workmans compensation	389 554	85 616
	3 912 552	2 013 723
36. Lease rentals on operating lease		
Equipment		
Contractual amounts	3 468 025	2 716 297
37. Debt impairment		
Debt impairment	13 402 669	7 431 377
38. Contracted services		
Outsourced Services		
Electrical	26 176 704	7 795 729
Consultants and Professional Services		
Business and Advisory	8 082 725	6 721 357
Legal Cost	3 048 054	2 520 918
Contractors		
Maintenance of Equipment	12 380 248	11 051 092
Presented previously	-	-
Outsourced Services	26 176 704	7 795 729
Consultants and Professional Services	11 130 779	9 242 275
Contractors	12 380 248	11 051 092
	49 687 731	28 089 096
39. Transfer and subsidies		
Other subsidies		
LED Programmes- (PSJDA)	8 002 841	8 204 412
Grants paid to ME's	-	-
Other subsidies	8 002 841	8 204 412

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

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40. General expenses		
Advertising and communications	1 016 439	919 551
Audit Committee Fees	179 326	410 949
Auditors remuneration	5 798 454	6 068 968
Bank charges	178 344	172 712
Beach Management	467 933	88 877
Casual wages	4 741 966	3 666 571
Chemicals	2 800	-
Cleaning	135 350	175 460
Community development and training	1 059 200	358 369
Computer expenses	1	30 047
Consumables	1 180 559	580 782
Cultural heritage event	633 630	799 120
Debt collection	-	747 723
Electricity	1 047 660	720 316
Eradication of alien plants projects expenditure and stipends	572 809	1 220 265
Valuation Roll	52 174	-
S 79 Committee	30 560	-
FMG Expenditure	1 256 358	1 390 318
Fines and penalties	-	110 583
Free basic electricity	3 927 521	3 322 966
Fuel and oil	7 355 231	4 444 731
Gas cylinders and stoves	2 674 570	1 865 700
Hire	129 760	2 018 255
Other expenses	86 429	25 389
Insurance	1 385 778	2 731 772
Integrated Development Plan	863 423	680 464
Internships	-	50 750
Landfill site rehabilitation	22 140	9 500
Library Services	440 999	256 404
Licence Fees	635 997	393 704
MIG grant Expense	-	786 760
Meals and entertainment	711 544	473 397
Disciplinary board Fees	4 285	10 152
Postage and courier	3 325	670
Printing and stationery	1 714 760	835 540
Risk Management	210 829	-
SPLUMA Implementation	16 935	-
Security costs	189 144	1 682 957
Skills Development Levy	933 286	682 591
Social Responsibility program	4 992 932	4 500 988
Sports and Recreation	1 066 970	361 233
Staff welfare	254 845	-
State of municipal address	740 100	-
Subscriptions and membership fees	1 042 967	1 033 842
Support to SMME and co-operations	953 064	940 272
Support to traditional authorities and councillors	36 700	174 340
Telephone and fax	5 592 138	2 952 333
Training	812 069	840 586
Transport and freight	7 168	-
Travel - local	4 836 623	6 130 995
Uniforms and protective clothing	105 551	878 452
Ward Assistance	6 033 882	2 535 002
Ward Committee stipend	6 725 000	5 750 500
Workman's compensation	-	3 736 146
	72 859 528	67 567 002

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand	2024	2023
41. Operating surplus		
Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
Equipment		
• Contractual amounts	3 468 025	2 716 297
Impairment on property, plant and equipment	292 492	-
Depreciation on property, plant and equipment	59 853 187	59 604 266
Employee costs	116 771 403	108 328 713
42. Auditors' remuneration		
Auditor General fees	5 798 454	6 068 968
43. Cash generated from operations		
Surplus	19 967 645	22 376 047
Adjustments for:		
Depreciation and amortisation	59 853 187	59 604 266
Loss on sale of assets and liabilities	(929 618)	-
Fair value adjustments	(930 000)	(796 012)
Finance costs - Finance leases	2 093 106	472 000
Interest received from debtors	(7 546 037)	(7 670 707)
Impairment deficit	292 492	-
Debt impairment	13 402 669	7 431 377
Movements in operating lease assets and accruals	(150 161)	3 529 353
Movements in retirement benefit assets and liabilities	(174 740)	-
Movements in provisions	610 400	(1 136 773)
Inventory losses or write-downs	371 269	-
Non-cash employee costs	-	(420 002)
Landfill site asset addition	-	(1 171 431)
non- cash donation	-	(2 250 000)
Changes in working capital:		
Inventories	-	(610 854)
Receivables from exchange transactions	(1 242 088)	215 597
Consumer debtors	(141 630)	202 065
Other receivables from non-exchange transactions	(11 479 623)	(3 960 437)
Payables from exchange transactions	3 143 786	6 312 904
VAT	(4 065 596)	1 426 707
Unspent conditional grants and receipts	10 095 646	19 110 546
VAT provision INEP	3 178 432	10 295 962
	86 349 139	112 960 608

44. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	At cost	Total
Receivables from exchange transactions	-	1 090 969	1 090 969
Consumer debtors	11 343 668	-	11 343 668
Cash and cash equivalents	-	131 891 251	131 891 251
Investment	-	40 515 650	40 515 650
	11 343 668	173 497 870	184 841 538

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

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44. Financial instruments disclosure (continued)

Financial liabilities

	At cost	Total
Payables from exchange transactions	40 817 133	40 817 133
Consumer deposits	61 000	61 000
	40 878 133	40 878 133

2023

Financial assets

	At amortised cost	At cost	Total
Receivables from exchange transactions	-	32 319	32 319
Consumer debtors	14 053 782	-	14 053 782
Cash and cash equivalents	-	152 933 349	152 933 349
	14 053 782	152 965 668	167 019 450

Financial liabilities

	At cost	Total
Payables from exchange transactions	27 490 929	27 490 929
Consumer deposits	61 000	61 000
	27 551 929	27 551 929

Financial instruments in Statement of financial performance

2024

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	25 054 291	25 054 291
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(3 912 552)	(3 912 552)
Debt Impairment	(13 402 669)	(13 402 669)
	7 739 070	7 739 070

2023

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	18 256 391	18 256 391
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(2 013 723)	(2 013 723)
Debt Impairment	(7 431 377)	(7 431 377)
	8 811 291	8 811 291

Port St Johns Local Municipality

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Notes to the Financial Statements

Figures in Rand	2024	2023
45. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	94 363 063	18 991 371
Total capital commitments	94 363 063	18 991 371
Already contracted for but not provided for		
Authorised operational expenditure		
Already contracted for but not provided for		
• General Expenditure	11 487 303	10 381 749
Total operational commitments	11 487 303	10 381 749
Already contracted for but not provided for		
Total Commitments		
Authorised Capital expenditure	93 573 775	18 991 371
Authorised operational expenditure	11 487 303	10 381 749
	105 061 078	29 373 120

This committed expenditure relates to infrastructure assets and operational expenditure and will be financed by Municipal Infrastructure Grant and municipal own internal resources.

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand	2024	2023
46. Contingencies		
Contingent Liability		
Port St John's Local Municipality vs Binase Puzi and others Civil claim illegal occupation of municipal land	600 000	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
Tal'imi Board KZN vs Port ST John's municipality (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	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
.	-	-
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
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	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	450 000
Z Ndabeni / PSJ local Municipality The Municipality was begin 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
	-	-
	10 849 988	41 399 988

Contingent assets

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

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46. Contingencies (continued)

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

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand 2024 2023

47. Related parties

Relationships

Accounting Officer

Audit Committee Members

Mr. M. Fihlani

Ms. T. Mnqeta (Chairperson)

Mr. V. Magan (Member)

Mr. M. Mndani (Member)

Ms. T. Sikolo Chief Finance Officer

Mr. S Matubatuba- Corporate Service Senior Manager

Mr. S. Batyi - LED Senior Manager

Mr. E. Mzayiya - Community Services Senior Manager

Other members of key management

Controlled Entity

Mayor

Speaker

Chief Whip

Councillors.

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. M.B. 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. 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

[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.

Grant paid to related parties

Port St Johns Development Agency

8 002 841

8 204 412

Remuneration of management

Management class: Councillors

2024

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand

47. Related parties (continued)

Name	Backpay	Housing Allowance	Annual Remuneration	S & T	Cellphone allowance	Retirement	Total
AA GANTSHO	17 175	-	270 632	113 290	-	-	401 097
B MJAKUJA	16 726	-	372 651	-	-	-	389 377
B NCOMFU	16 726	-	372 651	-	-	-	389 377
C HASHIBI	13 454	-	290 377	-	-	-	303 831
CT XANGAYI	13 454	-	290 377	-	-	-	303 831
F MAFAKA	17 175	-	383 922	-	-	-	401 097
G TSHOTHO	12 923	-	-	-	-	-	12 923
IPB NDUDU	13 454	-	290 377	-	-	-	303 831
K BIKIZA	16 726	-	372 651	-	-	-	389 377
LD MAFAKA	13 454	-	217 561	-	-	-	231 015
L NDAMASE	7 997	-	-	-	-	-	7 997
M MANINJWA	13 454	-	200 377	90 000	-	-	303 831
M NTIYANTIYA	13 454	-	290 377	-	-	-	303 831
MA JAM JAM	13 454	-	230 377	60 000	-	-	303 831
MB MADOTYENI	13 454	24 000	266 377	-	-	-	303 831
NM MAKAULA	13 454	24 000	266 377	-	-	-	303 831
N JAVU	13 454	-	290 377	-	-	-	303 831
N KAWU	13 454	-	290 377	-	-	-	303 831
N PUZI	13 454	-	290 377	-	-	-	303 831
N TANI	17 175	-	383 922	-	-	-	401 097
N VAVA	13 454	-	290 377	-	-	-	303 831
O NDUMELA	17 175	-	383 922	-	-	-	401 097
P NGOZI	13 454	-	290 377	-	-	-	303 831
SC NDUKU / MAZUZA	31 103	-	734 058	-	-	-	765 161
S MADOLO	14 026	-	383 922	-	-	-	397 948
SN MLOMBILE E-CINGO	38 404	-	917 571	-	3 545	-	959 520
S NDABENI	13 454	-	290 377	-	-	-	303 831
S NF DOBE	13 454	-	266 377	-	-	24 000	303 831
S SICOTO	17 175	-	359 922	-	-	24 000	401 097
SI NCOLOSI	13 454	-	200 377	90 000	-	-	303 831
SL NTLATYWA	13 454	-	290 377	-	-	-	303 831
SS N DOBE	13 454	-	290 377	-	-	-	303 831
SS N MAZALENI	13 454	-	290 377	-	-	-	303 831
SS T TSHIKITSHWA	13 454	-	290 377	-	-	-	303 831

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand

47. Related parties (continued)

SV MAVIMBELA	16 726	-	372 651	-	-	-	389 377
TZ PATO	13 454	-	290 377	-	-	-	303 831
X MONI	29 279	-	688 180	-	-	-	717 459
Z MHLABENI	13 454	-	290 377	-	-	-	303 831
Z MTIKI	13 454	-	230 377	60 000	-	-	303 831
Z ZOZI	13 454	-	290 377	-	-	-	303 831
P NOMARHOBO	2 791	-	290 377	-	-	-	293 168
	625 652	48 000	13 101 641	413 290	3 545	48 000	14 240 128

2023

Name	Backpay	Housing Allowance	Annual remuneration	S & T	Car allowances	Cellphone Allowance and other	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 MAFKA	-	-	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 MAFKA	2 584	-	293 094	-	-	-	-	295 678
L NDAMASE	-	-	210 452	-	-	-	-	210 452
M MANINJWA	-	-	190 603	-	90 000	-	-	280 603
M NTIYANTIYA	-	-	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 KAWU	-	-	280 603	-	-	-	-	280 603
N PUZI	-	-	280 603	152	-	-	-	280 755
N TANI	-	-	370 999	3 474	-	-	-	374 473
N VAVA	-	-	280 063	-	-	-	-	280 063
O NDUMELA	-	-	370 999	-	-	-	-	370 999
P NGOZI	-	-	280 603	152	-	-	-	280 755

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

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47. Related parties (continued)

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
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
N JAVU	-	-	280 603	760	-	-	-	281 363
	2 584	48 000	12 655 659	125 235	413 290	3 545	48 000	13 296 313

Executive management

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

Councillor'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

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

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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.

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	2024	2023
Receivables from exchange transactions	32 319	32 319
Receivables from non-exchange transactions	1 090 969	5 662 906
Consumer Debtors	11 343 668	14 053 782
Cash and cash equivalents	172 406 901	152 933 349

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

Market risk

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand

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48. Risk management (continued)

Interest rate risk

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

As the municipality has no significant interest-bearing 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 %	20 870 892	-	-	-	-
Consumer debtors	15,00 %	27 298	-	-	-	-
Cash in current banking institutions	4,28 %	131 891 251	-	-	-	-
Finance lease liabilities	7,00 %	(679 483)	-	-	-	-
Consumer deposits	- %	(61 000)	-	-	-	-
Payables from exchange transactions	- %	29 635 604	-	-	-	-

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

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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

No events after reporting report identified .

51. Unauthorised expenditure

Opening balance as previously reported	265 548 991	245 333 845
Add: Unauthorised expenditure - current	43 667 656	20 215 146
Less: Amount authorised - current	(126 322 877)	-
Closing balance	182 893 770	265 548 991

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

Non-cash	16 639 900	10 336 680
Cash	27 027 756	9 878 466
	43 667 656	20 215 146

Analysed as follows: non-cash

Debt Impairment	2 245 300	3 528 861
Depreciation and amortisation	11 241 473	-
Finance costs	3 153 127	1 724 511
Impairment loss	-	4 989 814
Loss on disposal of property, plant and equipment	-	93 494
	16 639 900	10 336 680

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand	2024	2023
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51. Unauthorised expenditure (continued)

Analysed as follows: cash

Contracted services	23 559 731	7 273 642
Lease rentals on operating lease	3 468 025	2 604 824
	27 027 756	9 878 466

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	21 797 842	21 016 880
Add: Fruitless and wasteful expenditure identified - current	2 081 746	780 962
Less: Amount written off - current	(18 566 211)	-
Closing balance	5 313 377	21 797 842

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

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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	2 081 746	533 933
Payments made in vain		-	332 646
		2 081 746	866 579

[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	256 006 482	248 420 079
Add: Irregular expenditure - current	1 544 655	7 586 403
Less: Amount written off - current	(207 461 571)	-
Closing balance	50 089 566	256 006 482

The amounts disclosed above are exclusive of VAT.

Port St Johns Local Municipality

Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in Rand

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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		
Regulation 32 incorrectly applied	none	633 760	817 758
Three written quotations not invited	None	412 797	119 800
Overspending on contracts	none	-	5 006 136
Non-compliance with SCM policy	none	368 871	980 378
Not advertised for required time		-	73 500
Non Compliance with Municipal cost containment regulations		-	500 507
Expenditure outside municipal mandate		129 227	88 324
		1 544 655	7 586 403

54. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	-	7 301
Current year subscription / fee	5 833 975	6 972 012
Amount paid - current year	(5 833 975)	(6 979 313)
	<u>-</u>	<u>-</u>

PAYE and UIF

Current year subscription / fee	15 787 378	16 535 511
Amount paid - current year	(15 787 378)	(16 535 511)
	<u>-</u>	<u>-</u>

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

Pension and Medical Aid Deductions

Current year subscription / fee	14 509 261	8 799 823
Amount paid - current year	(14 509 261)	(8 799 823)
	<u>-</u>	<u>-</u>

VAT

VAT receivable	5 376 712	1 311 116
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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 2024

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. C. Mazuza-Nduku (Speaker)	12 688	-	12 688

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 2024.

The amount for deviations as at 30 June 2024 is R5 749 812 (2023: R9 645 986)

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
Exceptional cases	5 337 015	9 013 483
	<u>5 337 015</u>	<u>9 645 986</u>

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56. Correction of prior year error

Property, plant and equipment

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56. Correction of prior year error (continued)

STATEMENT OF FINANCIAL POSITION

1. Property Plant and Equipment

During the current it was discovered that there were assets which were fully depreciated in prior years and still sitting in the assets register at nil values and this prompted the municipality to was conduct a conditional based assesments to all these assets inorder to determine whether these assets are still in use or not. The assets which were still in use were allocated a remaining conditional based useful lives resulting in restatement in the carrying amounts as per the grap requirements. The infrastructure remaining useful lives were re-assessed based on the national treasurer engineering guidelines and it was done by experts.

The property plant and equipment was restated by componets of work in progress for projects which were overstated by expenditure items of work not yet done. These invoices were reversed to correctly state the project amounts for the prior years.

2.Receivables From Non Exchange (Debtors Rates and Consumer Debtors)

There were batches that were not updated on the system and some incorrectly posted on the system, these batches relates to monies collected from the debtor, and also there were write off done in the current year relating to prior year that affecting rates, refuse, bad debt provision and bad debt write off accounts.

3. Inventory

National treasury issued a new guide relating to the treatment of INEP grant expenditure that states that expenditure relating to INEP should be expensed, previously the municipality had recognised inventory for the inep projects that were completed and we restated the amount relating to inep to expenditure for the prior years.

4. VAT Receivables

VAT was restated due to the batches batches that were not updated on the system for expenditure and payables.

5. Cash and cash equivalent

The municipality had ABSA account, standard bank account and petty cash account that were appearing on the system and these accounts were closed in the prior years but on the system they were still appearing with balances and in the current year those accounts were written off.

6.Payables from exchange transaction

a). Payroll Accrual

During the 2023/24 financial year it was noted that the payment to third party payments for the month of June 2023 were paid in July 2023 and no accrual was raised in the 2023 financial year. at year end the municipality was awing SARS

b) Expenditure Accruals

During the year it was discovered that several accruals were not raised in the correct period rather recorded on the payment date of which the payment date was in the incorrect, Corrections were done to record the accruals in the correct period. corrections were made by raising and accounting period.

c)Trade Payables

During the current year it was discovered that there were invoices not recorded in the prior periods either only a payment was captured or vice versa and these transactions were traced and supporting documents reviewed and captured correctly.

d) Payment income received in advance

The municipality performed a net-off exercise between the rates and refuses where the debtor was sitting in credit balance for refuse and yet the the debtor has an debit balance for Rates. the debtors accounts were net off therefore no debtor made payment in advance anymore.

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56. Correction of prior year error (continued)

e) Other Payables

The municipality has parkings on a land that is owned by Caguba trust and they are generating revenue from those parkings, there was an agreement with Caguba trust that from the generated revenue from those parkings they will pay 50% to the trust. The municipality received revenue in the 2022/23 financial year and at year end the monies were not yet paid to the trust.

7. Operating leases liability.

In the prior year the lease balance was incorrectly understated and therefore it is corrected in the current year

8. Provision

In the prior year we had disclosed the provisions under non current liabilities only and wording to the GRAP 19 we are suppose to split between the short term and the long term portion.

STATEMENT OF FINANCIAL PERFORMANCE

9. Interest Received from debtors

The were batches that were not updated on the system, batches relating to monies collected from the from the debtor and write off done in the current year relating to prior year, the interest was affected due to the balance change of the debtor.

10. Licences and Permit

The municipality has parking's on a land that is owned by Caguba trust and they are generating revenue from those parkings, there was an agreement with Caguba trust that from the generated revenue from those parkings they will pay 50% to the trust. The municipality received revenue in the 2022/23 financial year and at year end the monies were not yet paid to the trust.

11. Property Rates

The were batches that were not updated on the system, batches relating to monies collected from the from the debtor and write off done in the current year relating to prior year, the property rates account was affected due to the balance change of the debtor.

12. Employee Cost and Remuneration of Councillors

During the 2023/24 financial year it was noted that the payment to third party payments for the month of June 2023 were paid in July 2023 and no accrual was raised in the 2023 financial year. at year end the municipality was owing SARS.

13. Depreciation and Impairment loss

Due to the correction of error under 1 for PPE it resulted in the movement of depreciation as shown below..

14. Lease Rental on operating lease

There were transactions that were captured in the 2024 financial year but the invoices relates to the 2023 financial year (Cut off-issues).

15. Bad Debt Provision and bad debt written off.

The municipality performed debtor write-off for the 2022/23 and 2023/24 debtors balances and the provision for both the wears was reversed due to the updating of the batches being updated and the balances were changing therefore the provision was incorrect.

16. Contracted Services

There were transactions that were captured in the 2024 financial year but the invoices relates to the 2023 financial year (Cut off-issues) and also the INEP expenditure was reclassified to contracted services due to the new guide that was issued by the national treasury..

Port St Johns Local Municipality

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56. Correction of prior year error (continued)

17. General Expenditure

There were transactions that were captured in the 2024 financial year but the invoices relates to the 2023 financial year (Cut off-issues)

Raising COIDA Expenditure that was paid and not yet raised or accounted for in the financial statements

18. Investment Property

It was noted that on the register land from prior year years was omitted.

19. Unspent conditional grants

In the prior expenditure for work not done was raised as an accrual and it was later noted that it was work not yet done therefore should not be paid and it was reversed in the current year.

20. Grants and Subsidies

In the prior expenditure for work not done was raised as an accrual and it was later noted that it was work not yet done therefore should not be paid and it was reversed in the current year.

21. Finance cost

Interest that was incurred from COIDA that was not raised in the prior year

22. VAT Provision

The municipality has been incorrectly accounting for the INEP grants and therefore this was correcting the VAT output portion that was not charged the municipality when they received the grant from INEP.

23. Construction contracts

Municipality had incorrectly accounted for INEP projects in the prior year and only made corrections when they received guidance from National Treasury on the treatment and accounting of INEP as per GRAP 11

24. Loss of disposal of Assets

There was a correction of assets that were written off in the prior year and were actually still in use therefore the disposal of assets was reversed.

Following is the impact of the correcting the errors mentioned above.

	Amount as per the signed AFS	Correction of Error	Current AFS
Property Plant and Equipment [1]	530 548 763	61 894 545	592 443 308
Investment Property	13 131 536	167 500	13 299 036
Receivables from non-exchange [2]	8 731 290	(3 068 384)	5 662 906
Inventory [3]	62 472 613	(60 918 001)	1 554 612
			-
			-
			-
			-
			-
			-
			-
			-

Port St Johns Local Municipality

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56. Correction of prior year error (continued)			
VAT Receivable [4]	1 213 538	97 578	1 311 116
Consumer Debtors {2}	988 588	63 957	1 052 545
Cash and bank {5}	152 972 924	(39 575)	152 933 349
Payables from exchange transaction {6}	(51 778 440)	2 835 659	(48 942 781)
Provisions [8]	-	(1 250 088)	(1 250 088)
VAT Provision [22]	-	(10 295 961)	(10 295 961)
Unspent Conditional grants	(21 205 666)	(2 981 372)	(24 187 038)
Non- Current Liabilities	(4 405 276)	(1 031 709)	(5 436 985)
Provision [8]	(9 905 610)	1 250 088	(8 655 522)
Accumulated Surplus	(676 353 053)	13 275 763	(663 077 290)
	6 411 207	-	6 411 207

Statement of financial performance

	Amount as per previously reported	Correction	Current AFS
Revenue from exchange transaction	-	-	-
Interest Received from debtors [9]	(7 098 512)	(572 195)	(7 670 707)
Licences and Permit [10]	(527 779)	30 500	(497 279)
Construction contracts	-	(7 720 163)	(7 720 163)
Revenue from non-exchange	-	-	-
Property Rates [11]	(11 346 366)	879 619	(10 466 747)
Grant and subsidies	(270 806 337)	11 861 373	(258 944 964)
Expenditure	-	-	-
Employee Cost [12]	93 839 570	1 145 076	94 984 646
Remuneration of councillors [12]	13 081 777	262 289	13 344 066
Impairment loss [13]	4 989 814	(4 989 814)	-
Depreciation [13]	42 093 829	17 510 437	59 604 266
Lease rental on operating lease [14]	2 604 824	111 473	2 716 297
Debt Impairment [15]	9 234 624	(1 803 247)	7 431 377
loss on disposal of assets	93 494	(93 494)	-
Contracted Services [16]	20 330 905	7 758 191	28 089 096
Finance costs	1 928 107	85 616	2 013 723
General Expenditure [17]	63 414 822	5 249 294	68 664 116
Surplus	50 993 889	(29 714 956)	21 278 933
	12 826 661	(1)	12 826 660

	Accumulated Surplus	Total
Accumulated Surplus previously reported	676 353 052	676 353 052
Opening balance adjustment	-	-
Plant and Machinery	9 094 739	9 094 739
Transport Assets	702 372	702 372
Furniture and fixtures	453 626	453 626
Computer Equipment	444 864	444 864
Buildings	778	778
Community Assets	321 245	321 245
Infrastructure	75 128 811	75 128 811
Depreciation Adjustment	-	-
Buildings	10 776	10 776
Computer Equipment	473 892	473 892
Furniture and Fixture	(147 715)	(147 715)
Plant and Machinery	(2 560 591)	(2 560 591)
Infrastructure	(15 659 732)	(15 659 732)
Community Assets	(76 516)	(76 516)
Transport Asset	(886 741)	(886 741)
Receivables -rates	(3 068 384)	(3 068 384)
Consumer Debtors	63 957	63 957
Trade payables	3 255 976	3 255 976

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56. Correction of prior year error (continued)		
Payroll Accrual	1 407 365	1 407 365
Inventory	(60 918 001)	(60 918 001)
Other Creditors	30 500	30 500
VAT Receivable	97 578	97 578
Operating lease liability	164 755	164 755
Cash and bank	(39 575)	(39 575)
Operating lease liability	(1 031 709)	(1 031 709)
Unspent grants	(2 981 372)	(2 981 372)
VAT Provision	(10 295 961)	(10 295 961)
Investment Property	167 500	167 500
	670 505 489	670 505 489

Statement of cashflows	Amount as per signed AFS	Correction	Amount as per AFS	Total
Payments	-	-	-	-
Employee costs	(93 839 569)	(1 145 077)	(94 984 646)	(189 969 292)
Remuneration of councillors	(13 081 777)	(262 286)	(13 344 066)	(26 688 129)
Suppliers	(97 356 275)	1 067 129	(96 289 146)	(192 578 292)
Grants and subsidies paid	(9 435 074)	1 230 662	(8 204 412)	(16 408 824)
Purchase of PPE	(78 093 545)	(1 337 894)	(79 431 439)	(158 862 878)
Finance lease payments	(943 414)	407 414	(535 522)	(1 071 522)
	(292 749 654)	(40 052)	(292 789 231)	(585 578 937)

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.

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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:

Reportable segment	Goods and/or services
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.
Community Services	Removal and disposal of waste, traffic safety, municipal bylaws and security. Provision of libraries, pounds , public parks and cemeteries.
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.

Port St Johns Local Municipality

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57. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Community Services	Financial Services	infrastructure engineering	Local economic development	Total
Revenue					
Revenue non exchange transactions	22 312 675	82 797 510	106 635 384	86 006 667	297 752 236
Revenue from exchange transactions	1 154 492	28 503 050	21 179 565	-	50 837 107
Entity's revenue					348 589 343
Expenditure					
Contracted Services	1 113 917	12 609 852	35 319 708	644 255	49 687 732
Employee related costs	35 642 219	36 165 895	19 747 397	10 975 761	102 531 272
Inventory write down	-	371 269	-	-	371 269
Finance Costs	-	3 912 552	-	-	3 912 552
Debt Impairment	-	13 402 669	-	-	13 402 669
Transfers and subsidies	-	-	-	8 002 841	8 002 841
Remuneration of Councillors	-	-	-	14 240 129	14 240 129
General Expenses	11 685 816	35 214 800	6 553 320	19 405 591	72 859 527
Depreciation	2 076 756	8 029 710	49 746 326	-	59 852 792
Lease rentals on operating lease	349 560	375 553	2 390 288	352 625	3 468 026
Impairment loss	-	292 492	-	-	292 492
Total segment expenditure	50 868 268	110 374 792	113 757 039	53 621 202	328 621 301
Total segmental surplus/(deficit)	(27 401 101)	925 768	14 057 910	32 385 465	19 968 042
Assets					
Current Assets	-	190 966 509	-	-	190 966 509
Non-current assets	-	580 229 632	51 580 560	-	631 810 192
Total segment assets	-	771 196 141	51 580 560	-	822 776 701
Total assets as per Statement of financial Position					822 776 701

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	Community Services	Financial Services	infrastructure engineering	Local economic development	Total
57. Segment information (continued)					
Liabilities					
Current liability	-	119 888 073	-	-	119 888 073
Non-current Liability	-	18 338 711	-	-	18 338 711
Total segment liabilities	-	138 226 784	-	-	138 226 784
Total liabilities as per Statement of financial Position					138 226 784

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

2023

	Community Services	Infrastructure Structure	Local economic development	Financial Services	Total
Revenue					
Revenue from non-exchange transactions	33 418 675	77 724 813	91 090 696	69 652 227	271 886 411
Revenue from exchange transactions	1 091 138	-	7 720 163	25 633 221	34 444 522
Total segment revenue	34 509 813	77 724 813	98 810 859	95 285 448	306 330 933
Entity's revenue					306 330 933

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57. Segment information (continued)

Expenditure

Contracted Services	670 437	13 265 379	166 490	13 986 790	28 089 096
Employee related costs	34 116 645	16 346 177	12 290 780	32 231 043	94 984 645
Finance Costs	-	-	-	2 013 723	2 013 723
Debt Impairment	-	-	-	7 431 377	7 431 377
Transfers and subsidies	-	-	8 204 412	-	8 204 412
Remuneration of councilors	-	-	13 344 066	-	13 344 066
General Expenses	7 839 376	5 562 519	19 955 847	34 209 260	67 567 002
Depreciation	2 136 494	47 274 352	-	10 193 419	59 604 265
lease rentals on operating lease	2 169 586	181 811	145 576	219 324	2 716 297
Total segment expenditure	46 932 538	82 630 238	54 107 171	100 284 936	283 954 883
Total segmental surplus/(deficit)	(12 422 725)	(4 905 425)	44 703 688	(4 999 488)	22 376 050

Assets

Current Assets	-	-	-	165 104 001	165 104 001
Non Current assets	-	-	-	606 013 731	606 013 731
Total segment assets	-	-	-	771 117 732	771 117 732
Total assets as per Statement of financial Position					771 117 732

Liabilities

Current Liabilities	-	-	-	88 074 225	88 074 225
Non current Liability	-	-	-	18 869 131	18 869 131
Total segment liabilities	-	-	-	106 943 356	106 943 356
Total liabilities as per Statement of financial Position					106 943 356

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

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

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58. 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	17 952 092	6 558 054
Traffic fines	1 144 675	935 275
Other Receivables	19 096 767	7 493 329
VAT receivables	5 376 187	1 311 116
	24 472 954	8 804 445