



PORT ST JOHNS
• MUNICIPALITY •
OUR HERITAGE, OUR PEOPLE

**Port St Johns Local Municipality
Consolidated Annual Financial Statements
for the year ended June 30, 2022**



 Port St. John's Local Municipality

General Information

Legal form of entity	Municipality
Nature of business and principal activities	The main business operation of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development, land, economic and environmental development and supplying of the following services to the community: Rates, Refuse and Waste management services - The collection and disposal of refuse.
Executive committee	
Mayor	Cllr. N. Mlombile-Cingo
Speaker	Cllr. C. Nduku/ Mazuza
Chief Whip	Cllr. X. Moni
Councillors	Cllr. Z. Mhlabeni Cllr. N. Tani Cllr. S. Madolo Cllr. G. Tshotho Cllr. L. Ndamase Cllr. Z. Mtiki Cllr. F Mafaka Cllr. SL. Ntlatywa Cllr. S. Sicoto Cllr. SV Mavimbela Cllr. N. Vava Cllr. B. Mjakuja Cllr. O. Ndumela Cllr. B. Ncomfu Cllr. N Dobe Cllr. K. Bikiza Cllr NF. Dobe Cllr. N. Puzi Cllr. N. Kawu Cllr. MA. Jam-jam Cllr. N. Mazelani Cllr. C. Hashibi Cllr. TZ Pato Cllr. T. Tshikitshwa Cllr. C.T Xangayi Cllr. M. Ntiyantiya Cllr. N. Javu Cllr. MN. Makaula Cllr. IPB Ndudu Cllr. SI Ncolosi Cllr. P. Ngozi Cllr. M. Maninjwa Cllr. LD Mafaka Cllr. AA. Gantsho Cllr. MB Madotyeni Cllr. S. Ndabeni Cllr. Maqhajini Councillors (from July 2021 to October 2021)
	Cllr. N. Mlombile - Cingo (Mayor) Cllr. A.A Gantsho (Speaker)

General Information

	Cllr. C.S. Nduku/ Mazuza (Chief Whip) Cllr. F Jama Cllr. N.C Fono Cllr. F. Mafaka Cllr. N.P Majali Cllr. S.V. Mavimbela Cllr. L. Rolobile Cllr. Z. Mhlabeni Cllr. D.Z. Mnceba Cllr. B. Mjakuja Cllr. X. Moni Cllr. Z. Mtiki Cllr. N.B Mtuku Cllr. A. Mzungule Cllr. L. Ndamase Cllr. T.M Msongelwa Cllr. S.L. Ntlatywa Cllr. T. Ntsham Cllr. S.E. Sicoto Cllr. N.P Soga Cllr. N. Tani Cllr. N. Tshitshiliza Cllr. G. Tshotho Cllr. N. Vava Cllr. M. Veni Cllr. G.X. Vimba Cllr. R.M Zweni Cllr. M. Hobo Cllr. S Ndabeni Cllr. S. Madolo Cllr. N.F Bokwe Cllr. Z.H Cube Cllr. M. Dyosoba
Chief Finance Officer (CFO)	Ms. B. A. Mbana Mr. S. Shinta (Acting CFO from February 2022)
Accounting Officer	Mr. H.T. Hlazo
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	Standard Bank

Consolidated Annual Financial Statements for the year ended June 30, 2022

General Information

Auditors	Auditor -General of South Africa
Municipal demarcation code	EC154
Grading of Local Authority	Grade 3
Capacity of Local Authority	Low
Email address	mimzaa91@gmail.com cfo@psimunicipality.gov.za
Telephone	043 564 6700
Internal Auditors	O. R. Tambo District Municipality -Internal Audit Unit

Index

The reports and statements set out below comprise the consolidated annual financial statements presented to the Provincial Legislature:

	Page
Accounting Officer's Responsibilities and Approval	5
Accounting Officer's Report	6 - 7
Statement of Financial Position	8
Statement of Financial Performance	9
Statement of Changes in Net Assets	10
Cash Flow Statement	11
Statement of Comparison of Budget and Actual Amounts	12 - 22
Accounting Policies	24 - 55
Notes to the Consolidated Annual Financial Statements	56 - 120

Abbreviations used:

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

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 consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established

by the economic entity 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 economic entity and all employees are required to maintain the

highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances are above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and

ethical behavior is 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 consolidated annual financial statements. However, any system of internal financial control can provide only reasonable,

and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the economic entity's cash flow forecast for the year to June 30, 2023 and, in the light

of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The consolidated annual financial statements set out on page 6, which have been prepared on the going concern basis,

were approved by the accounting officer on 31 August 2022 and were signed by:



Mr. M Fihlani
Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended June 30, 2022.

1. Review of activities

Main business and operations

The Port St John's Local Municipality is a local government institution established in terms of the Municipal Systems Act 32 Of 2000 and the constitution of the Republic of South Africa. The main business operation of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development, land, economic and environmental development and supplying of the following services to the community: rates, refuse, general services and includes the rental of units owned by the municipality, and operates principally in South Africa and [state other countries]. The operating results and state of affairs of the municipality are fully set out in the attached consolidated annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at, although the municipality reported a deficit of R (26 652 003) at June 30, 2022, the municipality had an accumulated surplus (deficit) of R 607,022,189 and that the municipality's total liabilities exceed its assets by R 617,027,235. The fact that the municipality had a deficit does not mean that it is not a going concern. The consolidated 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 realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Realization of assets

Major assets of the Municipality are liquid and can be realized for market value as and when the need arises. This is positive on the going concern assessment

Contingent Obligations

The Municipality does have equivalent cash reserves to honor the contingent obligations should they fall due. This has a positive impact on the going concern assessment.

Operating Results

The Municipality incurred a deficit for the first time in current year. This has a negative impact on going concern. However, this was mainly due to non-cash-accounting adjustments in respect of assets recognition, impairment, depreciation and recognition of INEP electrification projects upon handing them over to Eskom. Based on the above assessment done, the Municipality is a going concern and thus has prepared its financial statements for the year ended 30 June 2022 under going concern assumptions. The municipality will continue with its endeavors to increase revenue and reserves, as well as, reducing the financial commitments to ensure good financial health.

3. Subsequent events

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

4. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr. M Fihlani	South African

5. Interest in controlled entities

Name of controlled entity	Country of incorporation	Percentage
Port St Johns Development Agency	South Africa	100

6. Bankers

The Municipality banked with Standard Bank for the whole year of 2021/2022 and it changed to FNB from 1 July 2022.



Consolidated Annual Financial Statements for the year ended June 30, 2022

Accounting Officer's Report

7. Auditors

Auditor -General of South Africa will continue in office for the next financial period.
The consolidated annual financial statements set out on page 6, which have been prepared on the going concern basis,
were approved by the accounting officer on 31 August 2022 and were signed by:



Mr. M Fihlani
Accounting Officer

Statement of Financial Position as at June 30, 2022

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2022	2021 Restated*	2022	2021 Restated*
Assets					
Current Assets					
Inventories	3	61,861,759	61,787,972	61,861,759	61,787,972
Receivables from exchange transactions	4	1,707,956	103,011	1,707,956	103,011
Receivables from non-exchange transactions	5&8	13,594,463	5,277,077	13,594,463	5,277,077
VAT receivable	6	2,533,166	1,891,025	2,497,319	1,863,386
Consumer debtors	7	1,190,653	572,791	1,190,653	572,791
Cash and cash equivalents	9	125,728,109	149,075,524	121,987,476	146,974,002
		206,616,106	218,707,400	202,839,626	216,578,239
Non-Current Assets					
Investment property	10	4,462,385	4,629,586	4,462,385	4,629,586
Property, plant and equipment	11	486,616,999	491,237,743	485,954,458	490,783,054
Intangible assets	12	584,250	-	584,250	-
Heritage assets	13	123,700	123,700	123,700	123,700
		491,787,334	495,991,029	491,124,793	495,536,340
Non-Current Assets		491,787,334	495,991,029	491,124,793	495,536,340
Current Assets		206,616,106	218,707,400	202,839,626	216,578,239
Total Assets		698,403,440	714,698,429	693,964,419	712,114,579
Liabilities					
Current Liabilities					
Finance lease obligation	14	283,610	401,422	283,610	401,422
Operating lease liability	19	1,773,423	1,616,876	1,773,423	1,616,876
Payables from exchange transactions	15	50,613,203	39,858,649	47,987,481	37,192,890
Consumer deposits	16	61,000	61,000	61,000	61,000
Employee benefit obligation	17	704,000	526,000	704,000	526,000
Unspent conditional grants and receipts	18	8,682,450	16,464,745	8,682,450	16,464,745
Provisions	20	14,931,939	13,940,370	-	-
		77,049,625	72,869,062	59,491,964	56,262,933
Non-Current Liabilities					
Finance lease obligation	14	-	283,610	-	283,610
Operating lease liability	19	2,398,837	2,354,605	2,398,837	2,354,605
Employee benefit obligation	17	4,004,000	3,807,000	4,004,000	3,807,000
Provisions	20	11,042,383	15,053,689	11,042,383	15,053,689
		17,445,220	21,498,904	17,445,220	21,498,904
Non-Current Liabilities		17,445,220	21,498,904	17,445,220	21,498,904
Current Liabilities		77,049,625	72,869,062	59,491,964	56,262,933
Total Liabilities		94,494,845	94,367,966	76,937,184	77,761,837
Assets		698,403,440	714,698,429	693,964,419	712,114,579
Liabilities		(94,494,845)	(94,367,966)	(76,937,184)	(77,761,837)
Net Assets		603,908,595	620,330,463	617,027,235	634,352,742
Accumulated surplus		603,908,603	620,330,465	617,027,235	634,352,742
Total Net Assets		603,908,603	620,330,465	617,027,235	634,352,742

* See Note

Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2022	2021 Restated*	2022	2021 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	21	1,043,132	1,006,013	1,043,132	1,006,013
Rental of facilities and equipment	22	136,319	62,234	136,319	62,234
Interest received -Debtors		5,812,551	5,163,193	5,812,551	5,163,193
Licences and permits	23	990,900	917,222	990,900	917,222
Other income	24	2,617,482	567,425	2,589,165	554,728
Interest received - investment	25	5,831,641	5,529,526	5,831,641	5,529,526
Actuarial gains		46,752	-	46,752	-
Total revenue from exchange transactions		16,478,777	13,245,613	16,450,460	13,232,916
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	26	10,978,259	11,972,172	10,978,259	11,972,172
Transfer revenue					
Government grants & subsidies	27	244,015,882	280,433,205	244,015,882	280,433,205
Public contributions and donations	28	-	10,779,702	-	10,779,702
Fines, Penalties and Forfeits	29	261,000	253,100	261,000	253,100
Total revenue from non-exchange transactions		255,255,141	303,438,179	255,255,141	303,438,179
		16,478,777	13,245,613	16,450,460	13,232,916
		255,255,141	303,438,179	255,255,141	303,438,179
Total revenue		271,733,918	316,683,792	271,705,601	316,671,095
Expenditure					
Employee related costs	30	(97,414,231)	(93,281,115)	(91,208,234)	(87,414,646)
Remuneration of councillors	31	(13,732,379)	(13,089,325)	(13,717,154)	(13,089,325)
Depreciation and amortisation	32	(56,127,377)	(56,164,601)	(55,737,721)	(56,034,553)
Impairments of assets	33	(12,872,528)	(15,370,364)	(12,872,528)	(15,370,364)
Finance costs	34	(2,753,787)	(2,068,548)	(1,762,218)	(1,097,990)
Lease rentals on operating lease	35	(724,376)	(702,065)	(676,794)	(701,127)
Debt Impairment	36	(5,194,280)	(9,973,997)	(5,194,280)	(9,952,447)
Contracted services	37	(10,065,862)	(7,363,067)	(10,065,862)	(7,344,188)
Transfers and Subsidies	38	-	-	(9,611,994)	(9,338,833)
Loss on disposal of assets and liabilities		(9,220,620)	(11,562,616)	(9,220,620)	(11,562,616)
Actuarial losses		-	(184,602)	-	(184,602)
Inventories losses/write-downs		(1,475,117)	(102,360)	(1,475,117)	(102,360)
General Expenses	39	(78,575,220)	(54,221,815)	(77,214,484)	(53,009,818)
Total expenditure		(288,155,777)	(264,084,475)	(288,757,006)	(265,202,869)
		-	-	-	-
Total revenue		271,733,918	316,683,792	271,705,601	316,671,095
Total expenditure		(288,155,777)	(264,084,475)	(288,757,006)	(265,202,869)
Operating surplus/deficit		-	-	-	-
(Deficit) surplus before taxation		(16,421,859)	52,599,317	(17,051,405)	51,468,226
Taxation		-	-	-	-
(Deficit) surplus for the year		(16,421,859)	52,599,317	(17,051,405)	51,468,226

* See Note

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Economic entity		
Opening balance as previously reported	566,827,040	566,827,040
Adjustments		
Prior year adjustments	904,108	904,108
Balance at July 1, 2020 as restated*	567,731,148	567,731,148
Changes in net assets		
Surplus for the year	52,599,317	52,599,317
Total changes	52,599,317	52,599,317
Opening balance as previously reported	619,651,914	619,651,914
Adjustments		
Prior year adjustments	678,548	678,548
Restated* Balance at July 1, 2021 as restated*	620,330,462	620,330,462
Changes in net assets		
Surplus for the year	(16,421,859)	(16,421,859)
Total changes	(16,421,859)	(16,421,859)
Balance at June 30, 2022	603,908,603	603,908,603
Note(s)		
Controlling entity		
Opening balance as previously reported	582,032,522	582,032,522
Adjustments		
Prior year adjustments 58	904,108	904,108
Balance at July 1, 2020 as restated*	582,936,630	582,936,630
Changes in net assets		
Surplus for the year	51,416,112	51,416,112
Total changes	51,416,112	51,416,112
Opening balance as previously reported	633,674,194	633,674,194
Adjustments		
Prior year adjustments 58	678,548	678,548
Restated* Balance at July 1, 2021 as restated*	634,352,742	634,352,742
Changes in net assets		
Surplus for the year	(17,325,507)	(17,325,507)
Total changes	(17,325,507)	(17,325,507)
Balance at June 30, 2022	617,027,235	617,027,235
Note(s)		

* See Note

Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2022	2021 Restated*	2022	2021 Restated*
Cash flows from operating activities					
Receipts					
VAT Refunds		16,336,678	22,134,628	16,336,678	22,134,628
Grants		236,233,587	278,381,729	236,233,587	278,381,729
Interest income		5,831,641	4,923,453	5,831,641	4,923,453
Receipts from consumers		2,877,217	12,509,482	8,149,466	12,496,785
		<u>261,279,123</u>	<u>317,949,292</u>	<u>266,551,372</u>	<u>317,936,595</u>
Payments					
Employee costs		(97,494,718)	(91,110,887)	(91,301,376)	(85,244,418)
Remuneration of Councillors		(13,717,154)	(13,089,325)	(13,717,154)	(13,089,325)
Finance Costs		(2,753,787)	(172,744)	(67,956)	(29,554)
Suppliers		(89,795,214)	(64,982,857)	(95,973,753)	(63,015,543)
Grants and subsidies paid		-	-	(9,611,994)	(9,338,833)
		<u>(203,760,873)</u>	<u>(169,355,813)</u>	<u>(210,672,233)</u>	<u>(170,717,673)</u>
Total receipts		261,279,123	317,949,292	266,551,372	317,936,595
Total payments		(203,760,873)	(169,355,813)	(210,672,233)	(170,717,673)
Net cash flows from operating activities	41	<u>57,518,250</u>	<u>148,593,479</u>	<u>55,879,139</u>	<u>147,218,922</u>
Cash flows from investing activities					
Purchase of property, plant and equipment	11	(79,991,696)	(105,062,767)	(79,991,696)	(104,783,497)
Proceeds from sale of property, plant and equipment	11	216,303	287,682	216,303	287,682
Purchase of investment property	10	-	(4,462,062)	-	(4,462,062)
Purchase of other intangible assets	12	(688,850)	-	(688,850)	-
Purchase of heritage assets	13	-	(123,700)	-	(123,700)
Net cash flows from investing activities		<u>(80,464,243)</u>	<u>(109,360,847)</u>	<u>(80,464,243)</u>	<u>(109,081,577)</u>
Cash flows from financing activities					
Finance lease payments		(401,422)	(81,774)	(401,422)	(81,774)
Net increase/(decrease) in cash and cash equivalents		<u>(23,347,415)</u>	<u>39,150,858</u>	<u>(24,986,526)</u>	<u>38,055,571</u>
Cash and cash equivalents at the beginning of the year		149,075,524	109,924,666	146,974,002	108,918,432
Cash and cash equivalents at the end of the year	9	<u>125,728,109</u>	<u>149,075,524</u>	<u>121,987,476</u>	<u>146,974,003</u>

* See Note

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						
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1,878,588	121,412	2,000,000	1,043,132	(956,868)	
Rental of facilities and equipment	64,611	85,359	149,970	136,319	(13,651)	
Interest received (trading)	4,118,495	1,194,753	5,313,248	5,812,551	499,303	
Licences and permits	99,579	-	99,579	990,900	891,321	
Other income - (rollup)	19,600,902	2,045,219	21,646,121	2,617,482	(19,028,639)	
Interest received - investment	5,171,314	800,000	5,971,314	5,831,641	(139,673)	
Total revenue from exchange transactions	30,933,489	4,246,743	35,180,232	16,432,025	(18,748,207)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	12,481,304	7,634,391	20,115,695	10,978,259	(9,137,436)	
Transfer revenue						
Government grants & subsidies	272,340,660	2,542,028	274,882,688	244,015,882	(30,866,806)	
Fines, Penalties and Forfeits	54,862	15,138	70,000	261,000	191,000	
Total revenue from non-exchange transactions	284,876,826	10,191,557	295,068,383	255,255,141	(39,813,242)	
'Total revenue from exchange transactions'	30,933,489	4,246,743	35,180,232	16,432,025	(18,748,207)	
'Total revenue from non-exchange transactions'	284,876,826	10,191,557	295,068,383	255,255,141	(39,813,242)	
Total revenue	315,810,315	14,438,300	330,248,615	271,687,166	(58,561,449)	
Expenditure						
Personnel	(88,696,556)	5,418,510	(83,278,046)	(97,414,231)	(14,136,185)	
Remuneration of councillors	(14,639,564)	(834,019)	(15,473,583)	(13,732,379)	1,741,204	
Depreciation and amortisation	(51,502,563)	421,776	(51,080,787)	(56,127,377)	(5,046,590)	
Impairment loss/ Reversal of impairments	-	-	-	(12,872,528)	(12,872,528)	
Finance costs	(334,158)	(818,255)	(1,152,413)	(2,753,787)	(1,601,374)	
Lease rentals on operating lease	(93,500)	93,500	-	(724,376)	(724,376)	
Debt Impairment	(5,444,430)	-	(5,444,430)	(5,194,280)	250,150	
Contracted Services	(12,418,461)	(346,306)	(12,764,767)	(10,065,862)	2,698,905	
General Expenses	(78,813,057)	(119,000)	(78,932,057)	(78,575,220)	356,837	
Total expenditure	(251,942,289)	3,816,206	(248,126,083)	(277,460,040)	(29,333,957)	
	315,810,315	14,438,300	330,248,615	271,687,166	(58,561,449)	
	(251,942,289)	3,816,206	(248,126,083)	(277,460,040)	(29,333,957)	
Operating deficit	63,868,026	18,254,506	82,122,532	(5,772,874)	(87,895,406)	
Loss on disposal of assets and liabilities	259,733	-	259,733	(9,220,620)	(9,480,353)	
Actuarial gains/losses	-	-	-	46,752	46,752	
Inventories losses/write-downs	-	-	-	(1,475,117)	(1,475,117)	

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						
	259,733	-	259,733	(10,648,985)	(10,908,718)	
	63,868,026	18,254,506	82,122,532	(5,772,874)	(87,895,406)	
	259,733	-	259,733	(10,648,985)	(10,908,718)	
Deficit before taxation	64,127,759	18,254,506	82,382,265	(16,421,859)	(98,804,124)	
Surplus before taxation	64,127,759	18,254,506	82,382,265	(16,421,859)	(98,804,124)	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	64,127,759	18,254,506	82,382,265	(16,421,859)	(98,804,124)	
Reconciliation						

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	632,644	67,632,166	68,264,810	61,861,759	(6,403,051)	
Receivables from exchange transactions	27,424,782	(24,655,726)	2,769,056	1,707,956	(1,061,100)	
Receivables from non-exchange transactions	-	-	-	13,594,463	13,594,463	
VAT receivable	-	-	-	2,533,166	2,533,166	
Consumer debtors	6,376,351	6,402,393	12,778,744	1,190,653	(11,588,091)	
Cash and cash equivalents	114,555,272	16,061,204	130,616,476	125,728,109	(4,888,367)	
	148,989,049	65,440,037	214,429,086	206,616,106	(7,812,980)	
Non-Current Assets						
Investment property	11,461,003	4,081,934	15,542,937	4,462,385	(11,080,552)	
Property, plant and equipment	479,979,378	66,845,405	546,824,783	486,616,999	(60,207,784)	
Intangible assets	-	(64,863)	(64,863)	584,250	649,113	
Heritage assets	-	-	-	123,700	123,700	
	491,440,381	70,862,476	562,302,857	491,787,334	(70,515,523)	
Non-Current Assets	148,989,049	65,440,037	214,429,086	206,616,106	(7,812,980)	
Current Assets	491,440,381	70,862,476	562,302,857	491,787,334	(70,515,523)	
Non-current assets held for sale (and) (assets of disposal groups)	-	-	-	-	-	
Total Assets	640,429,430	136,302,513	776,731,943	698,403,440	(78,328,503)	
Liabilities						
Current Liabilities						
Finance lease obligation	53,650	229,960	283,610	283,610	-	
Operating lease liability	(29,240,266)	71,114,824	41,874,558	1,773,423	(40,101,135)	
Payables from exchange transactions	-	-	-	50,613,203	50,613,203	
Consumer deposits	61,000	-	61,000	61,000	-	
Employee benefit obligation	-	-	-	704,000	704,000	
Unspent conditional grants and receipts	-	-	-	8,682,450	8,682,450	
Provisions	-	-	-	14,931,939	14,931,939	
	(29,125,616)	71,344,784	42,219,168	77,049,625	34,830,457	
Non-Current Liabilities						
Finance lease obligation	18,279	2,948,357	2,966,636	-	(2,966,636)	
Operating lease liability	-	-	-	2,398,837	2,398,837	
Employee benefit obligation	-	-	-	4,004,000	4,004,000	
Provisions	13,915,447	3,062,267	16,977,714	11,042,383	(5,935,331)	
	13,933,726	6,010,624	19,944,350	17,445,220	(2,499,130)	
	(29,125,616)	71,344,784	42,219,168	77,049,625	34,830,457	
	13,933,726	6,010,624	19,944,350	17,445,220	(2,499,130)	
	-	-	-	-	-	
Total Liabilities	(15,191,890)	77,355,408	62,163,518	94,494,845	32,331,327	
Assets	640,429,430	136,302,513	776,731,943	698,403,440	(78,328,503)	

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						
Liabilities	15,191,890	(77,355,408)	(62,163,518)	(94,494,845)	(32,331,327)	
Net Assets	655,621,320	58,947,105	714,568,425	603,908,595	(110,659,830)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	655,621,320	58,947,105	714,568,425	603,908,595	(110,659,830)	

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						
Grants	272,395,000	96,267,688	368,662,688	236,233,587	(132,429,101)	
Interest income	5,226,176	8,679,373	13,905,549	5,831,641	(8,073,908)	
Receipts from consumers (rates and refuse)	9,951,384	12,194,785	22,146,169	8,149,466	(13,996,703)	
Other receipts	19,765,123	21,965,700	41,730,823	15,024,791	(26,706,032)	
	307,337,683	139,107,546	446,445,229	265,239,485	(181,205,744)	
Payments						
Employee costs and suppliers	(160,035,172)	(21,187,730)	(181,222,902)	(207,329,866)	(26,106,964)	
Finance Costs	(334,158)	(818,255)	(1,152,413)	(67,956)	1,084,457	
	(160,369,330)	(22,005,985)	(182,375,315)	(207,397,822)	(25,022,507)	
Total receipts	307,337,683	139,107,546	446,445,229	265,239,485	(181,205,744)	
Total payments	(160,369,330)	(22,005,985)	(182,375,315)	(207,397,822)	(25,022,507)	
Net cash flows from operating activities	146,968,353	117,101,561	264,069,914	57,841,663	(206,228,251)	
Purchase of property, plant and equipment	(127,696,738)	(126,329,393)	(254,026,131)	(80,315,109)	173,711,022	
Proceeds from sale of property, plant and equipment	-	259,763	259,763	216,303	(43,460)	
Purchase of other intangible assets	-	-	-	(688,850)	(688,850)	
Net cash flows from investing activities	(127,696,738)	(126,069,630)	(253,766,368)	(80,787,656)	172,978,712	
Cash flows from financing activities						
Finance lease payments	-	-	-	(401,422)	(401,422)	
Proceeds on consumers deposit	-	(60,500)	(60,500)	-	60,500	
Net cash flows from financing activities	-	-	-	(401,422)	(401,422)	
Net increase/(decrease) in cash and cash equivalents	19,271,615	(8,968,069)	10,303,546	(23,347,415)	(33,650,961)	
Cash and cash equivalents at the beginning of the year	125,714,901	21,259,102	146,974,003	149,075,524	2,101,521	
Cash and cash equivalents at the end of the year	144,986,516	12,291,033	157,277,549	125,728,109	(31,549,440)	

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						
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1,878,588	121,412	2,000,000	1,043,132	(956,868)	[A1]
Rental of facilities and equipment	64,641	85,359	150,000	136,319	(13,681)	
Interest charged on overdue consumer accounts	4,118,495	1,194,753	5,313,248	5,812,551	499,303	[A2]
Licences and permits	99,579	-	99,579	990,900	891,321	[A3]
Other income 1	19,600,902	2,304,992	21,905,894	2,589,165	(19,316,729)	[A4]
Actuarial gains	-	-	-	46,752	46,752	
Interest received - investment	5,171,314	800,000	5,971,314	5,831,641	(139,673)	
Total revenue from exchange transactions	30,933,519	4,506,516	35,440,035	16,450,460	(18,989,575)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	12,481,304	7,634,391	20,115,695	10,978,259	(9,137,436)	[A5]
Transfer revenue						
Government grants & subsidies	272,340,660	2,542,028	274,882,688	244,015,882	(30,866,806)	[A6]
Fines, Penalties and Forfeits	54,862	15,138	70,000	261,000	191,000	
Total revenue from non-exchange transactions	284,876,826	10,191,557	295,068,383	255,255,141	(39,813,242)	
'Total revenue from exchange transactions'	30,933,519	4,506,516	35,440,035	16,450,460	(18,989,575)	
'Total revenue from non-exchange transactions'	284,876,826	10,191,557	295,068,383	255,255,141	(39,813,242)	
Total revenue	315,810,345	14,698,073	330,508,418	271,705,601	(58,802,817)	
Expenditure						
Employee related costs	(81,895,209)	5,418,510	(76,476,699)	(91,208,234)	(14,731,535)	[A7]
Remuneration of councillors	(14,319,224)	(834,019)	(15,153,243)	(13,717,154)	1,436,089	[A8]
Depreciation and amortisation	(51,392,563)	421,776	(50,970,787)	(55,737,721)	(4,766,934)	[A9]
Impairment loss	-	-	-	(12,872,528)	(12,872,528)	[A9]
Finance costs	(334,158)	(818,255)	(1,152,413)	(1,762,218)	(609,805)	[A10]
Lease rentals on operating lease	-	-	-	(676,794)	(676,794)	[A12]
Debt Impairment	(5,444,430)	-	(5,444,430)	(5,194,280)	250,150	[A11]
Contracted Services	(12,418,461)	(346,306)	(12,764,767)	(10,065,862)	2,698,905	[A12]
Transfers and Subsidies	(16,158,505)	(10,629,036)	(26,787,541)	(9,611,994)	17,175,547	[A13]
Inventories losses/write-downs	-	-	-	(1,475,117)	(1,475,117)	[A16]
Loss on disposal of assets	(259,763)	-	(259,763)	(9,220,620)	(8,960,857)	[A15]
General Expenses	(74,593,167)	(832,850)	(75,426,017)	(77,214,484)	(1,788,467)	[A14]
Total expenditure	(256,815,480)	(7,620,180)	(264,435,660)	(288,757,006)	(24,321,346)	
	-	-	-	-	-	
Surplus for the year	59,514,391	6,558,357	66,072,748	(16,722,928)	(82,795,676)	
	59,514,391	6,558,357	66,072,748	(16,722,928)	(82,795,676)	

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

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	632,644	67,632,166	68,264,810	61,861,759	(6,403,051)	
Receivables from exchange transactions	27,424,782	(24,655,726)	2,769,056	1,707,956	(1,061,100)	[B1]
Receivables from non-exchange transactions	-	-	-	13,594,463	13,594,463	[B2]
VAT receivable	-	-	-	2,497,319	2,497,319	[B3]
Consumer debtors	6,376,351	6,402,393	12,778,744	1,190,653	(11,588,091)	[B4]
Cash and cash equivalents	114,555,272	16,061,204	130,616,476	121,987,476	(8,629,000)	[B5]
	148,989,049	65,440,037	214,429,086	202,839,626	(11,589,460)	
Non-Current Assets						
Investment property	11,461,003	4,081,934	15,542,937	4,462,386	(11,080,551)	[B6]
Property, plant and equipment	479,979,378	66,845,405	546,824,783	485,954,458	(60,870,325)	[B7]
Intangible assets	-	(64,863)	(64,863)	584,250	649,113	[B8]
Heritage assets	-	-	-	123,700	123,700	
	491,440,381	70,862,476	562,302,857	491,124,794	(71,178,063)	
Non-Current Assets	148,989,049	65,440,037	214,429,086	202,839,626	(11,589,460)	
Current Assets	491,440,381	70,862,476	562,302,857	491,124,794	(71,178,063)	
Total Assets	640,429,430	136,302,513	776,731,943	693,964,420	(82,767,523)	
Liabilities						
Current Liabilities						
Finance lease obligation	53,650	229,960	283,610	283,610	-	
Operating lease liability	-	-	-	1,773,423	1,773,423	
Payables from exchange transactions	(29,240,266)	71,114,824	41,874,558	47,987,481	6,112,923	[B9]
Consumer deposits	61,000	-	61,000	61,000	-	
Employee benefit obligation	-	-	-	704,000	704,000	[B11]
Unspent conditional grants and receipts	-	-	-	8,682,450	8,682,450	[B12]
Provisions	744,197	14,112,447	14,856,644	-	(14,856,644)	
	(28,381,419)	85,457,231	57,075,812	59,491,964	2,416,152	
Non-Current Liabilities						
Operating lease liability	18,279	2,948,357	2,966,636	2,398,837	(567,799)	[B13]
Employee benefit obligation	-	-	-	4,004,000	4,004,000	[B11]
Provisions	13,915,447	3,062,267	16,977,714	11,042,383	(5,935,331)	[B14]
	13,933,726	6,010,624	19,944,350	17,445,220	(2,499,130)	
	(28,381,419)	85,457,231	57,075,812	59,491,964	2,416,152	
	13,933,726	6,010,624	19,944,350	17,445,220	(2,499,130)	
Total Liabilities	(14,447,693)	91,467,855	77,020,162	76,937,184	(82,978)	
Assets	640,429,430	136,302,513	776,731,943	693,964,420	(82,767,523)	
Liabilities	14,447,693	(91,467,855)	(77,020,162)	(76,937,184)	82,978	
Net Assets	654,877,123	44,834,658	699,711,781	617,027,236	(82,684,545)	

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	654,877,123	44,834,658	699,711,781	617,027,236	(82,684,545)	

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						
Grant Receipts	272,395,000	96,267,688	368,662,688	236,233,587	(132,429,101)	
Receipts from consumers (rates and refuse)	9,951,384	12,194,785	22,146,169	8,149,466	(13,996,703)	
Interest income	5,226,176	8,679,373	13,905,549	5,831,641	(8,073,908)	
Other receipts	19,765,123	21,965,700	41,730,823	16,336,678	(25,394,145)	
	307,337,683	139,107,546	446,445,229	266,551,372	(179,893,857)	
Payments						
Suppliers and employees	(160,035,172)	(21,187,730)	(181,222,902)	(200,992,283)	(19,769,381)	
Finance Costs	(334,158)	(818,255)	(1,152,413)	(67,956)	1,084,457	
Grants and subsidies paid	(16,158,505)	(10,629,036)	(26,787,541)	(9,611,994)	17,175,547	
	(176,527,835)	(32,635,021)	(209,162,856)	(210,672,233)	(1,509,377)	
Total receipts	307,337,683	139,107,546	446,445,229	266,551,372	(179,893,857)	
Total payments	(176,527,835)	(32,635,021)	(209,162,856)	(210,672,233)	(1,509,377)	
Net cash flows from operating activities	130,809,848	106,472,525	237,282,373	55,879,139	(181,403,234)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(127,696,738)	(126,329,393)	(254,026,131)	(79,991,696)	174,034,435	
Proceeds from sale of property, plant and equipment	-	259,763	259,763	216,303	(43,460)	
Purchase of other intangible assets	-	-	-	(688,850)	(688,850)	
Net cash flows from investing activities	(127,696,738)	(126,069,630)	(253,766,368)	(80,464,243)	173,302,125	
Cash flows from financing activities						
Proceeds on customer deposits	-	(60,500)	(60,500)	-	60,500	
Finance lease payments	-	-	-	(401,422)	(401,422)	
Net cash flows from financing activities	-	(60,500)	(60,500)	(401,422)	(340,922)	
Net increase/(decrease) in cash and cash equivalents	3,113,110	(19,657,605)	(16,544,495)	(24,986,526)	(8,442,031)	
Cash and cash equivalents at the beginning of the year	125,714,901	21,259,102	146,974,003	146,974,002	(1)	
Cash and cash equivalents at the end of the year	128,828,011	1,601,497	130,429,508	121,987,476	(8,442,032)	

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 numeriacally above R250 000 are explained below:

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

[A2] Interest received from debtors was more than budget. Budget was based on expected amounts owed by debtors. Actual interest was more than budgeted lower than expected payments recovered from customers nd more interest charged on outstanding debt

[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] On the budget for other income, municipality achieved their budget.

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

[A6] Grants revenue are less than budgeted due to reduction in the equitable share of the municipality as well as unspent monies on conditional grants.

[A7] Employee realted costs was more than the budget because of more overtime worked and the general salary increment.

[A8] Councillor's remuneration is less than budgeted due to the movements of councillors following the local movement elections held in November 2021.

[A9] Depreciation and asset impairments is more than the budget because of the assets that the impairment that were stopped by council and the decommissioning of roads.

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

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

[A12] Contracted services are less than the budget due to less consultancy services used.

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

[A14] General Expenses increased because of INEP projects expensed and revenue-gone relating to rates paid by Public works in prior years.

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

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

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

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

[B3] We did not budget for VAT Receivables

[B4] The budget difference is due to increased provision for impairment that was processed during the year as compared to

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

the budgeted collection which have affected impairment rates used as the municipality is struggling to collect from its debtors.

[B5] Cash and cash equivalents are less than the budget due to reduction in equitable share grant receipt.

[B6] Investment Property is higher than actual due to the fact that the budget was based on 2021 financial statements

[B7] PPE budget is higher than actual due to depreciation and impairment recognised.

[B8] Procurement of Intangible assets was necessitated by the need to have the Indigent Register Software which was procured during the year.

[B9] The Municipality to continue to budget for higher finance lease obligations even though the lease are nearing termination dates.

[B11] It was not budgeted for and is emanating from long service awards of the employees.

[B12] The municipality does not budget for unspent conditional grants. Due to the effects of COVID 19 and suspension of the Procurement regulation, this affected implementation of projects hence not all budget was spent.

[B13] Due to previouslt unaccounted for liability which was corrected in teh current year.

[B15]This was due to the decrease in acturial valuations performed at year end.

[C1] Cash flows from operating activities is more less budgeted due to reduction in grants and receipts from consumers

[C2] Cash spent of procurement of property, lant and equipment was less than budgeted due to delays in Municipal Infrastructure Grant and Integrated National Electrification Programme projects.

Accounting Policies

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2022	2021	2022	2021

1. Presentation of Consolidated Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty

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

Receivables

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

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

Allowance for slow moving, damaged and obsolete stock.

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available from the landfill site valuers. Additional disclosure of these estimates of provision are included in note 20 - Provisions.

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

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

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash flows outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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

Allowance for doubtful debts

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

1.5 Investment property

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

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

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 economic entity, 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 economic entity separately discloses expenditure to repair and maintain investment property in the notes to the consolidated annual financial statements (see note 10).

Accounting Policies

1.5 Investment property (continued)

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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	30 years
Plant and machinery	Straight-line	2 - 20 years
Furniture and fixtures	Straight-line	7 - 12 years
Transport Assets	Straight-line	5- 10 years
Cellular equipment	Straight-line	2 years
IT equipment	Straight-line	3 years

Accounting Policies

1.6 Property, plant and equipment (continued)

Infrastructure	Straight-line	15 - 50 years
Community assets	Straight-line	30 years
Bins and container	Straight-line	5 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 economic entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The economic entity assesses at each reporting date whether there is any indication that the economic entity 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 economic entity 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 economic entity 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 economic entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

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

1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an 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.

Accounting Policies

1.8 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the economic entity 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 economic entity; and
- the cost or fair value of the asset can be measured reliably.

The economic entity 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.

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

Intangible assets are derecognised:

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

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

1.9 Heritage assets

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

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 economic entity's operations that is shown as a single item for the purpose of disclosure in the consolidated annual financial statements.

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

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

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

Accounting Policies

1.9 Heritage assets (continued)

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 economic entity 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.

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

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

Recognition

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

Derecognition

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

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

1.10 Financial instruments

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

Accounting Policies

1.10 Financial instruments (continued)

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).

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.

Accounting Policies

1.10 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and Cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

- Financial instruments at amortised cost

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

Fair value measurement considerations

Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

Accounting Policies

1.10 Financial instruments (continued)

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

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

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

Financial liabilities

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

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

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

Presentation

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

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

1.11 Statutory receivables

Identification

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

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

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

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

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

Accounting Policies

1.11 Statutory receivables (continued)

Recognition

The economic entity 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 economic entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The economic entity 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 economic entity 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 economic entity 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 economic entity 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 economic entity 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 economic entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an economic entity 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.

Accounting Policies

1.11 Statutory receivables (continued)

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

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

Derecognition

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

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

1.12 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

Operating leases - lessee

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

Accounting Policies

1.13 Inventories

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

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

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

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

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

Current replacement cost is the cost the economic entity 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 economic entity.

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

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Accounting Policies

1.14 Leases (continued)

Designation

At initial recognition, the economic entity 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 an economic entity's objective of using the asset.

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the economic entity:

- 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.

Accounting Policies

1.14 Leases (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the economic entity 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 economic entity 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.

Accounting Policies

1.14 Leases (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the economic entity 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 economic entity 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.

Accounting Policies

1.14 Leases (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

Accounting Policies

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

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

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

Useful life is either:

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

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 economic entity 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 an economic entity's objective of using the asset.

The economic entity 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 economic entity 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 economic entity 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 economic entity 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 economic entity 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 economic entity 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.

Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the economic entity 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 economic entity 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 economic entity 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 economic entity 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.

Accounting Policies

1.16 Employee benefits

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

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

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

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

The municipality does not have any post-employment benefits.

Post-employment benefits: Defined benefit plans

The municipality does not have any post-employment benefits.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

The municipality does not provide for post-retirement benefits.

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

Termination benefits

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

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

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

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

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

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

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

1.17 Provisions and contingencies

Provisions are recognised when:

- the economic entity 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 economic entity 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.

Accounting Policies

1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity 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 45.

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 economic entity 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 economic entity 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 economic entity considers that an outflow of economic resources is probable, an economic entity 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.

Accounting Policies

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

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

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

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.19 Revenue from exchange transactions

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

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

Accounting Policies

1.19 Revenue from exchange transactions (continued)

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

Measurement

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

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

Sale of goods

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

- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity 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 economic entity; 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 economic entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Interest

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

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

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

1.20 Revenue from non-exchange transactions

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

Accounting Policies

1.20 Employee benefits (continued)

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

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

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

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

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an 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.

Accounting Policies

1.20 Employee benefits (continued)

Measurement

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

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

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

Taxes (Property rates)

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

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

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

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

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

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

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

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

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

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

Transfers

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

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

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

Debt forgiveness and assumption of liabilities

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

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

Accounting Policies

1.20 Employee benefits (continued)

Fines

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

Grants

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

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

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

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

1.21 Investment income

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

1.22 Borrowing costs

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

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

1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

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

Accounting Policies

1.24 Fruitless and wasteful expenditure

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

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

1.25 Irregular expenditure

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

this Act; or

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

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

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

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

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

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

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

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

1.26 Segment information

A segment is an activity of an entity:

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

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

Accounting Policies

1.26 Segment information (continued)

Measurement

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

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

1.27 Budget information

Economic Entity 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 economic entity 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 2021-07-01 to 2022-06-30.

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

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

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

1.28 Related parties

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

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

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

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

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

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

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

Accounting Policies

1.28 Related parties (continued)

The economic entity 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 economic entity 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 economic entity is exempt from the disclosures in accordance with the above, the economic entity 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 consolidated annual financial statements.

1.29 Events after reporting date

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

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

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

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

1.30 Value-added Tax (VAT)

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

1.31 Unpaid Conditional Grants and Receipts

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

Additional text

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after July 1, 2022 or later periods:

Guideline: Guideline on Accounting for Landfill Sites

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

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

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

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

The impact of this standard is currently being assessed.

GRAP 25 (as revised): Employee Benefits

Background

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

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

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

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

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

Key amendments to GRAP 25

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

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

The impact of this revisions is currently being assessed.

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

Background

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

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

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

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

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

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

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

The impact of this revisions is currently being assessed.

Guideline: Guideline on the Application of Materiality to Financial Statements

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

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

The guideline is encouraged to be used by entities.

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

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the economic entity's consolidated annual 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 for years beginning on or after 01 April 2025

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

The impact of this standard is currently being assessed.

iGRAP 21: The Effect of Past Decisions on Materiality

Background

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

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

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

iGRAP 21 addresses the following two issues:

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

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

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

The impact of this interpretation is currently being assessed.

GRAP 2020: Improvements to the standards of GRAP 2020

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

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

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

Amendments include,

GRAP 5 – Borrowing Costs

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

GRAP 13 – Leases

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

GRAP 16 – Investment Property

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

GRAP 17 – Property, Plant and Equipment

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

GRAP 20 – Related Party Disclosures

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

GRAP 24 – Presentation of Budget Information in Financial Statements

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

GRAP 31 – Intangible Assets

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

GRAP 32 – Service Concession Arrangements: Grantor

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

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 37 – Joint Arrangements

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

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

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

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

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

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

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

GRAP 1 (amended): Presentation of Financial Statements

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

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

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

Statement of financial position and statement of financial performance

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

Notes structure

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

Disclosure of accounting policies

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

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

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

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

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

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
3. Inventories				
Consumable stores	943,758	1,771,396	943,758	1,771,396
INEP completed Projects [2]	60,918,001	60,016,576	60,918,001	60,016,576
	61,861,759	61,787,972	61,861,759	61,787,972

3.1 Inventory is categorised as follows

Construction Material [1]	201,833	572,565	201,833	572,675
Protective and cleaning material	60,971	157,602	60,971	157,602
Gardening	31,726	49,667	31,726	49,667
Mechanical tools and spare parts	568,492	893,978	568,492	893,978
Fuel and Oil	80,736	84,498	80,736	84,498
COVID 19 equipment	-	12,976	-	12,976
	943,758	1,771,286	943,758	1,771,396

Inventories recognised as an expense during the year	1,652,764	2,765,292	1,652,764	2,765,292
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[1] Construction materials comprise of items required to repair and maintain road infrastructure such as cement, concrete pipes, paint and gabions. The increase is due to purchases towards year end in anticipation of repair works to be done after year end.

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

Inventory pledged as security

No inventory was pledged as security.

Inventory losses/ write-downs or (gains)

Stock count variances -{(gains/losses)}	1,157,601	(78,345)	1,157,601	(78,345)
Obsolete Inventory	-	6,605	-	6,605
Inventory write-down to net replacement cost	617,517	174,100	317,517	174,100

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 R317 517 (2021: R174 100)

4. Receivables from exchange transactions

Expenditure paid in advance [1]	1,641,836	36,891	1,641,836	36,891
Sundry debtors [2]	32,319	32,319	32,319	32,319
Suspense account (ABSA) [3]	33,801	33,801	33,801	33,801
	1,707,956	103,011	1,707,956	103,011

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

Expenditure paid in advance	1,641,836	36,891	1,641,836	36,891
Financial asset receivables included in receivables from exchange transactions above	66,120	66,120	66,120	66,120

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
4. Receivables from exchange transactions (continued)				
Total receivables from exchange transactions	1,707,956	103,011	1,707,956	103,011

[1] These relate to insurance premiums and software licenses which are paid annually in advance. At the end of the year, the municipality had not yet utilised all the expenditure.

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

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

Statutory receivables general information

Statutory receivables Statutory receivables

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

Trade and other receivables pledged as security

There were no receivables from exchange transactions pledged as security.

5. Receivables from non-exchange transactions

Fines	537,867	152,792	537,867	152,792
Consumer debtors - Rates	13,056,596	5,124,285	13,056,596	5,124,285
	13,594,463	5,277,077	13,594,463	5,277,077

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

Fines	537,867	152,792	537,867	152,792
Property rates	13,056,596	5,124,285	13,056,596	5,124,285
	13,594,463	5,277,077	13,594,463	5,277,077

Total receivables from non-exchange transactions	13,594,463	5,277,077	13,594,463	5,277,077
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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

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

Determination of transaction amount

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

Interest or other charges levied/charged

Interest is charged on property rates receivables at a rate of 15% (2021: 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.

Discount rate applied to the estimated future cash flows

Discounting of receivables to determine the present value of future cashflows is done using the prime rate currently 8.25% (2021: 7%)

Statutory receivables impaired

Details of property rates impairment are disclosed in note 7:

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

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

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

Other Disclosures

Consumer receivables from rates are billed annually. Interest is charged on overdue consumer receivables at a rate of 15% (2021: 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.

6. VAT receivable

VAT	2,533,166	1,891,025	2,497,319	1,863,386
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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

6. VAT receivable (continued)

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.

The receivables amount is made up of two bases as follows :

Combined

Creditors VAT Provisional	3,268,088	759,603	1,279,050	759,603
Debtors VAT Provisional	(1,187,423)	(879,074)	(1,181,242)	(879,074)
Cash basis balance	452,501	2,010,496	2,399,511	1,982,857
Subtotal	2,533,166	1,891,025	2,497,319	1,863,386
	2,533,166	1,891,025	2,497,319	1,863,386

Cash Basis

VAT Input	(1,989,038)	1,989,038	-	1,989,038
VAT Output	6,181	(6,181)	-	(6,181)
VAT Control	2,399,511	27,639	2,399,511	-
VAT Control PSJDA	35,847	-	-	-
Subtotal	452,501	2,010,496	2,399,511	1,982,857
	452,501	2,010,496	2,399,511	1,982,857

Entity as custodian

The nature of the entity's custodial responsibility, including the legislation or similar means that establishes the custodial responsibility over the resources, are as follows: [State details]

Custodian information is included in other public documents issued in conjunction with the financial statements, please refer to [add details of cross reference].

cash basis

VAT Input	-	-	(1,989,038)	1,989,038
VAT Output	-	-	6,181	(6,181)
VAT Control	-	-	2,399,511	-
	-	-	416,654	1,982,857

7. Consumer debtors

Gross balances

Refuse	12,345,407	10,467,681	12,345,407	10,467,681
Housing rental	161,616	161,616	161,616	161,616
Subtotal	12,507,023	10,629,297	12,507,023	10,629,297

Less: Allowance for impairment

Refuse	(11,154,754)	(9,894,890)	(11,154,754)	(9,894,890)
Housing rental	(161,616)	(161,616)	(161,616)	(161,616)
Subtotal	(11,316,370)	(10,056,506)	(11,316,370)	(10,056,506)

Net balance

Refuse	1,190,653	572,791	1,190,653	572,791
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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
7. Consumer debtors (continued)				
Refuse				
Current (0 -30 days)	187,353	172,389	187,353	172,389
31 - 60 days	186,117	166,501	186,117	166,501
61 - 90 days	184,136	165,187	184,136	165,187
91 - 120 days	183,194	163,601	183,194	163,601
121 - 365 days	11,604,607	9,800,003	11,604,607	9,800,003
Allowance for impairment	(11,154,754)	(9,894,890)	(11,154,754)	(9,894,890)
	1,190,653	572,791	1,190,653	572,791
Summary of debtors by customer classification				
Residential				
Current (0 -30 days)	39,367	36,379	39,367	36,379
31 - 60 days	38,881	34,957	38,881	34,957
61 - 90 days	38,576	34,737	38,576	34,737
91 - 120 days	38,373	34,379	38,373	34,379
121 - 365 days	2,659,078	2,302,622	2,659,078	2,302,622
	2,814,275	2,443,074	2,814,275	2,443,074
Business				
Current (0 -30 days)	87,274	80,018	87,274	80,018
31 - 60 days	86,837	75,839	86,837	75,839
61 - 90 days	85,484	75,685	85,484	75,685
91 - 120 days	85,075	74,760	85,075	74,760
121 - 365 days	4,251,738	3,472,399	4,251,738	3,472,399
> 365 days	-	161,616	-	161,616
	4,596,408	3,940,317	4,596,408	3,940,317
National and provincial government				
Current (0 -30 days)	60,712	55,993	60,712	55,993
31 - 60 days	60,398	55,705	60,398	55,705
61 - 90 days	60,076	54,765	60,076	54,765
91 - 120 days	59,746	54,462	59,746	54,462
121 - 365 days	4,693,790	4,024,982	4,693,790	4,024,982
	4,934,722	4,245,907	4,934,722	4,245,907
Total				
Current (0 -30 days)	187,353	172,389	187,353	172,389
31 - 60 days	186,117	166,501	186,117	166,501
61 - 90 days	184,136	165,187	184,136	165,187
91 - 120 days	183,194	163,601	183,194	163,601
121 - 365 days	11,604,607	9,899,003	11,604,607	9,800,003
> 365 days	-	-	-	161,616
	12,345,407	10,566,681	12,345,407	10,629,297
Less: Allowance for impairment	(11,154,754)	(9,993,890)	(11,316,370)	(10,056,506)
	1,190,653	572,791	1,029,037	572,791
Reconciliation of allowance for impairment				
Balance at beginning of the year	(10,056,506)	(8,233,927)	(10,056,506)	(8,233,927)
Contributions to allowance	(1,259,864)	(1,822,579)	(1,259,864)	(1,822,579)
	(11,316,370)	(10,056,506)	(11,316,370)	(10,056,506)

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

7. Consumer debtors (continued)**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.

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 35). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The impairment allowance recognised in these financial statements is determined using past collection trends with the expected future cash flows being discounted to reflect the time value of money.

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	55,300,978	43,244,226	55,300,978	43,244,226
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Less: Allowance for impairment

Consumer debtors - Rates	(42,244,382)	(38,119,941)	(42,244,382)	(38,119,941)
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Net balance

Consumer debtors - Rates	13,056,596	5,124,285	13,056,596	5,124,285
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Rates

Current (0 -30 days)	582,654	541,280	582,654	541,280
31 - 60 days	581,071	528,670	581,071	528,670
61 - 90 days	571,755	521,386	571,755	521,386
91 - 120 days	572,100	1,102,223	572,100	1,102,223
121 - 365 days	52,993,398	40,550,667	52,993,398	40,550,667
	55,300,978	43,244,226	55,300,978	43,244,226

Residential

Current (0 -30 days)	165,234	152,708	165,234	152,708
31 - 60 days	163,989	149,753	163,989	149,753
61 - 90 days	163,748	149,291	163,748	149,291
91 - 120 days	163,411	147,687	163,411	147,687
121 - 365 days	11,992,086	10,438,660	11,992,086	10,438,660
	12,648,468	11,038,099	12,648,468	11,038,099

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
8. Consumer debtors disclosure (continued)				
Business				
Current (0 -30 days)	202,883	189,186	202,883	189,186
31 - 60 days	202,560	179,126	202,560	179,126
61 - 90 days	202,246	172,283	202,246	172,283
91 - 120 days	203,428	179,346	203,428	179,346
121 - 365 days	19,038,198	17,408,672	19,038,198	17,408,672
	19,849,315	18,128,613	19,849,315	18,128,613
National and provincial government				
Current (0 -30 days)	214,537	199,386	214,537	199,386
31 - 60 days	214,522	199,790	214,522	199,790
61 - 90 days	205,761	199,812	205,761	199,812
91 - 120 days	205,261	775,190	205,261	775,190
121 - 365 days	21,963,201	12,703,336	21,963,201	12,703,336
	22,803,282	14,077,514	22,803,282	14,077,514
Heading				
	Column heading	Column heading		
Current (0 -30 days)	582,654	541,280	582,654	541,280
31 - 60 days	581,071	528,670	581,071	528,670
61 - 90 days	571,755	521,386	571,755	521,386
91 - 120 days	572,100	1,102,223	572,100	1,102,223
>121 days	52,993,485	40,550,667	52,993,485	40,550,667
Subtotal	55,301,065	43,244,226	55,301,065	43,244,226
Less: Allowance for impairment	(42,244,382)	38,119,941	(42,244,382)	(38,119,941)
	13,056,683	81,364,167	13,056,683	5,124,285
Reconciliation of allowance for impairment				
Balance at beginning of the year	38,119,941	30,285,879	38,119,941	30,285,879
Contributions to allowance	4,124,441	7,834,062	4,124,441	7,834,062
	42,244,382	38,119,941	42,244,382	38,119,941

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

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,000	10,650	6,000	6,000
Bank balances	4,747,894	6,436,985	1,007,261	4,340,113
Short-term deposits	120,974,215	142,627,889	120,974,215	142,627,889
	125,728,109	149,075,524	121,987,476	146,974,002

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

9. Cash and cash equivalents (continued)**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

Standard Bank limited-zaA-1+	121,981,484	146,968,002	121,981,484	146,968,002
Absa Bank Limited - zaA-1+	3,740,632	2,096,871	-	-
	125,722,116	149,064,873	121,981,484	146,968,002

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2022	June 30, 2021	June 30, 2020
STD Bank - current account (1)	1,007,261	4,340,113	16,158,644	1,007,261	4,340,113	13,379,832
STD Bank - Salaries call account -9569-001	58,856,946	33,081,364	2,942,969	58,856,946	33,081,364	2,942,969
STD Bank -Repairs call account -9569-003	6,999,134	780,539	755,915	6,999,134	780,539	755,915
STC Bank account -FMG9569-006	6,448,621	3,585,980	1,142,376	6,448,621	3,585,980	1,142,376
STD Bank MIG call account 9569-008	310,840	5,470,928	5,387,255	310,840	5,470,928	5,387,255
STD Bank LED call account 9569-007	90,418	13,736	13,736	90,418	13,736	13,736
STD Bank -traffic call account - 9569-004	42,865,927	97,927,462	82,859,111	42,865,927	97,927,462	82,859,111
STD Bank - Plant call account - 9569-002	1,466,053	32,284	31,391	1,466,053	32,284	31,391
STD Bank -EPWP call account - 9569-011	3,571,504	382,161	163,112	3,571,504	382,161	163,112
STD BANK INEP call account - 9569-010	5,906	1,007,163	1,835,410	5,906	1,007,163	1,835,158
STD bank -DESRAC call account -9569-009	358,874	346,272	401,327	358,874	346,272	401,327
ABSA Bank -Primary Account-40-6064-2488	3,730,786	2,015,081	922,345	3,730,786	2,015,081	922,345
ABSA Bank-Salaries Account-40-6320-8356	10,342	81,364	82,963	10,342	81,364	82,963
ABSA Bank-Mngazi to Manteku-40-7165-4521	(495)	426	25	(495)	426	25
Total	125,722,117	149,064,873	112,696,579	125,722,117	149,064,873	109,917,515

(1) The difference between cashbook balance and bank statements for the current account in 2020 was due to uncleared payments that went through the bank after year end.

Notes to the Consolidated Annual Financial Statements

Figures in Rand

10. Investment property

Economic entity

	2022		2021			
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Investment property	4,992,061	(529,676)	4,462,385	4,992,062	(362,476)	4,629,586

Controlling entity

	2022		2021			
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Investment property	4,992,061	(529,676)	4,462,385	4,992,062	(362,476)	4,629,586

Reconciliation of investment property - Economic entity - 2022

Investment property

	Opening balance	Depreciation	Total
	4,629,586	(167,201)	4,462,385

Reconciliation of investment property - Economic entity - 2021

Investment property

	Opening balance	Additions	Impairments	Depreciation	Total
	530,000	4,462,062	(310,319)	(52,157)	4,629,586

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand

10. Investment property (continued)

Reconciliation of investment property - Economic entity - 2022

Investment property	Opening balance	Depreciation	Total
	4,629,586	(167,201)	4,462,385

Reconciliation of investment property - Economic entity - 2021

Investment property	Opening balance	Additions	Impairments	Depreciation	Total
	530,000	4,462,062	(310,319)	(52,157)	4,629,586

Pledged as security

None of the above investment property has been pledged as security

Investment property held for sale

Included in the investment property, is certain property held pending finalisation of sale to the OR Tambo District 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.

Details of property

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.

Notes to the Consolidated Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

Economic entity

	2022		2021			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	62,522,927	(4,064,727)	58,458,200	62,522,927	(4,064,727)	58,458,200
Buildings	20,132,317	(10,712,239)	9,420,078	19,886,877	(10,167,182)	9,719,695
Plant and machinery	46,955,189	(24,988,627)	21,966,562	46,800,133	(20,111,687)	26,688,446
Furniture and fixtures	3,310,109	(2,201,165)	1,108,944	2,739,358	(2,040,101)	699,257
Motor vehicles	8,767,438	(6,400,818)	2,366,620	9,897,673	(6,068,374)	3,829,299
Office equipment	708,741	(500,198)	208,543	708,741	(146,836)	561,905
IT equipment	5,340,169	(2,720,496)	2,619,673	3,982,824	(2,229,751)	1,753,073
Infrastructure	375,648,059	(70,181,313)	305,466,746	319,688,981	(36,121,687)	283,567,294
Community	33,005,480	(16,608,882)	16,396,598	28,257,742	(14,894,341)	13,363,401
Other property, plant and equipment	68,561,652	(2,302)	68,559,350	92,553,474	-	92,553,474
Signage	82,734	(37,049)	45,685	70,514	(26,815)	43,699
Total	625,034,815	(138,417,816)	486,616,999	587,109,244	(95,871,501)	491,237,743

Notes to the Consolidated Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Controlling entity	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	19,760,877	(10,700,133)	9,060,744	19,710,877	(10,167,134)	9,543,743
Cellular equipment	706,724	(498,182)	208,542	706,724	(144,820)	561,904
Community	33,005,480	(16,608,882)	16,396,598	28,257,742	(14,894,341)	13,363,401
Computer Equipment	4,951,319	(2,414,538)	2,536,781	3,666,921	(1,954,765)	1,712,156
Furniture and fixtures	3,059,153	(2,009,164)	1,049,989	2,517,382	(1,861,815)	655,567
Infrastructure	375,648,059	(70,181,313)	305,466,746	319,688,981	(36,121,687)	283,567,294
Infrastructure - WIP	68,547,826	-	68,547,826	92,553,474	-	92,553,474
Land	62,522,927	(4,064,727)	58,458,200	62,522,927	(4,064,727)	58,458,200
Plant and machinery	46,926,128	(24,968,352)	21,957,776	46,771,072	(20,094,560)	26,676,512
Transport assets	8,336,114	(6,064,858)	2,271,256	9,466,349	(5,775,546)	3,690,803
Total	623,464,607	(137,510,149)	485,954,458	585,862,449	(95,079,395)	490,783,054

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2022

	Opening balance	Additions	Disposals	Transfers	Decommissioned assets	Transfers to inventory	Depreciation	Impairment loss	Total
Buildings	9,719,695	245,440	-	-	-	-	(545,057)	-	9,420,078
Office equipment	561,905	-	-	-	-	-	(353,362)	-	208,543
Community	13,363,401	808,896	(188,227)	4,127,070	-	-	(1,714,542)	-	16,396,598
IT equipment	1,753,073	1,715,200	(120,891)	-	-	-	(727,709)	-	2,619,673
Furniture and fixtures	699,257	734,268	(138,554)	-	-	-	(186,027)	-	1,108,944
Infrastructure	283,567,294	321,260	(195,787)	80,500,315	(9,617,042)	-	(48,384,057)	(725,237)	305,466,746
Infrastructure - WIP	92,553,474	77,894,604	-	(84,627,385)	-	(6,560,487)	-	(10,700,856)	68,559,350
Land	58,458,200	-	-	-	-	-	-	-	58,458,200
Motor vehicles	3,829,299	-	(1,130,235)	-	-	-	(332,444)	-	2,366,620
Plant and machinery	26,688,446	1,834,105	(1,521,232)	-	-	-	(3,599,848)	(1,434,909)	21,966,562
Signage	43,699	12,220	-	-	-	-	(10,234)	-	45,685
	491,237,743	83,565,993	(3,294,926)	-	(9,617,042)	(6,560,487)	(55,853,280)	(12,861,002)	486,616,999

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2021

	Opening balance	Additions	Disposals	Transfers	Decommissioned assets	Transfers to inventory	Depreciation	Impairment loss	Total
Buildings	6,124,854	10,549,136	-	48,744	-	-	(706,067)	(6,296,972)	9,719,695
Office equipment	70,817	706,724	(33,239)	-	-	-	(182,397)	-	561,905
Community	17,556,986	72,471	-	1,257,077	-	-	(1,469,493)	(4,053,640)	13,363,401
IT equipment	1,003,049	1,345,198	(50,572)	-	-	-	(495,520)	(49,082)	1,753,073
Furniture and fixtures	1,095,436	76,926	(11,741)	-	-	-	(433,788)	(27,576)	699,257
Infrastructure	240,010,554	14,188,331	-	89,093,481	(11,505,067)	-	(47,795,125)	(424,880)	283,567,294
Infrastructure - WIP	121,424,810	81,414,067	-	(90,399,302)	-	(19,886,101)	-	-	92,553,474
Land	55,706,000	6,816,927	-	-	-	-	-	(4,064,727)	58,458,200
Motor vehicles	5,752,997	-	(282,917)	-	-	-	(1,640,781)	-	3,829,299
Plant and machinery	25,406,804	4,813,160	-	-	-	-	(3,388,348)	(143,170)	26,688,446
Signage	3,043	41,578	-	-	-	-	(922)	-	43,699
	474,155,350	120,024,518	(378,469)	-	(11,505,067)	(19,886,101)	(56,112,441)	(15,060,047)	491,237,743

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2022

	Opening balance	Additions	Disposals	Transfers from WIP	Transfer to inventory	Decommissioned	Depreciation	Impairment loss	Total
Buildings	9,543,743	50,000	-	-	-	-	(532,999)	-	9,060,744
Cellular equipment	561,904	-	-	-	-	-	(353,362)	-	208,542
Community	13,363,401	808,896	(188,228)	4,127,071	-	-	(1,714,542)	-	16,396,598
Computer Equipment	1,712,156	1,642,252	(120,890)	-	-	-	(696,737)	-	2,536,781
Furniture and fixtures	655,567	705,287	(138,554)	-	-	-	(172,311)	-	1,049,989
Infrastructure	283,567,294	321,260	(195,787)	80,500,315	-	(9,617,042)	(48,384,057)	(725,237)	305,466,746
Infrastructure WIP	92,553,474	77,894,604	-	(84,627,386)	(6,560,486)	-	-	(10,712,380)	68,547,826
Land	58,458,200	-	-	-	-	-	-	-	58,458,200
Motor vehicles	3,690,803	-	(1,130,235)	-	-	-	(289,312)	-	2,271,256
Plant and machinery	26,676,512	1,834,105	(1,521,231)	-	-	-	(3,596,700)	(1,434,910)	21,957,776
	490,783,054	83,256,404	(3,294,925)	-	(6,560,486)	(9,617,042)	(55,740,020)	(12,872,527)	485,954,458

Notes to the Consolidated Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2021

	Opening balance	Additions	Disposals	Transfers	Foreign exchange movements	Other changes, movements	Depreciation	Impairment loss	Total
Buildings	6,124,854	10,373,136	-	48,744	-	-	(706,019)	(6,296,972)	9,543,743
Cellular equipment	70,816	706,724	(33,239)	-	-	-	(182,397)	-	561,904
Community	17,556,986	72,471	-	1,257,077	-	-	(1,469,493)	(4,053,640)	13,363,401
Computer equipment	960,977	1,320,963	(50,572)	-	-	-	(470,130)	(49,082)	1,712,156
Furniture and fixtures	1,071,355	50,711	(11,741)	-	-	-	(427,183)	(27,574)	655,567
Infrastructure	240,010,554	14,188,331	-	89,093,481	(11,505,067)	-	(47,795,125)	(424,880)	283,567,294
Infrastructure - WIP	121,424,810	81,414,067	-	(90,399,302)	-	(19,886,101)	-	-	92,553,474
Land	55,706,000	6,816,927	(282,917)	-	-	-	(1,597,649)	(4,064,727)	58,458,200
Motor vehicles	5,571,369	-	-	-	-	-	(3,386,511)	-	3,690,803
Plant and machinery	25,404,275	4,801,918	-	-	-	-	(143,170)	(143,170)	26,676,512
	473,901,996	119,745,248	(378,469)	-	(11,505,067)	(19,886,101)	(56,034,507)	(15,060,045)	490,783,054

Pledged as security

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

Assets subject to finance lease (Net carrying amount)

Cellular equipment	208,542	561,904	208,542	561,904
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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

11. Property, plant and equipment (continued)**Property, plant and equipment in the process of being constructed or developed**

In the previous year, the municipality reported 4 (four) projects taking a significantly longer period of time to complete than expected. The reported projects are Lutshaya, sports field, Gabelana to Noqekwana access and upgrading of Port St Johns Residential Street - Marine Drive & Marine Drive Link Roads. The upgrading of Port St Johns Residential Street - Marine Drive & Marine Drive Link Roads was completed in current year while Gabelana to Noqekwana Access Road was resumed in current year and is progressing according to plan. The Lutshaya, Sports field projects are now halted and detailed below.

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

Lutshaya	1	105,181,549	1	10,518,159
The project was stopped by council due to lack of funding and it has been impaired in the current year down to R1. The total cost was R10 518 159.				
Sports Field	1	194,225	1	194,225
Project was deprioritised as per council prerogative. This represents the professional fees that were incurred and its uncertain when it will resume. The total costs incurred on it amounted to R194 225. The total cost incurred on it amounted to R194 225. The project has been impaired to R1 in the current year.				

2	105,375,774	2	10,712,384
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Reconciliation of Work-in-Progress Economic entity - 2022

	Infrastructure (Includes Electrification projects)	Total
Opening balance	92,553,474	92,553,474
Additions/capital expenditure	77,894,604	77,894,604
Transfer to inventory	(6,560,487)	(6,560,487)
Transferred to completed items	(84,627,385)	(84,627,385)
Impairment	(10,712,380)	(10,712,380)
	68,547,826	68,547,826

Reconciliation of Work-in-Progress Economic entity - 2021

	Infrastructure (Includes Electrification projects)	Total
Opening balance	121,424,810	121,424,810
Additions/capital expenditure	81,414,067	81,414,067
Transfer to inventory	(19,886,101)	(19,886,101)
Transferred to completed items	(90,399,302)	(90,399,302)
	92,553,474	92,553,474

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

11. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress Economic entity - 2022

	Infrastructure (Includes Electrification projects)	Total
Opening balance	92,553,474	92,553,474
Additions/capital expenditure	77,894,604	77,894,604
Transfer to inventory	(6,560,487)	(6,560,487)
Transferred to completed items	(84,627,385)	(84,627,385)
Impairment	(10,712,380)	(10,712,380)
	68,547,826	68,547,826

Reconciliation of Work-in-Progress Economic entity - 2021

	Infrastructure (Includes Electrification projects)	Total
Opening balance	121,424,810	121,424,810
Additions/capital expenditure	81,414,067	81,414,067
Transfer to inventory	(19,886,101)	(19,886,101)
Transferred to completed items	(90,399,302)	(90,399,302)
	92,553,474	92,553,474

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

Furniture and office equipment	453,571	8,796	347,256	2,545
Infrastructure	2,357,408	3,045,171	2,357,408	3,045,171
IT equipment	413,435	392,689	413,435	392,689
Transport assets	3,393,071	1,258,188	3,387,016	1,248,258
Plant and machinery	(3,774)	1,105,059	(3,774)	1,105,059
Community assets	895,226	7,579	895,226	7,579
	7,508,937	5,817,482	7,396,567	5,801,301

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.

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

Notes to the Consolidated Annual Financial Statements

Figures in Rand

12. Intangible assets

Economic entity

	2022		2021			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Indigent software	584,250	-	584,250	-	-	-

Controlling entity

	2022		2021			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Indigent Software	584,250	-	584,250	-	-	-

Reconciliation of intangible assets - Economic entity - 2022

Indigent software

Opening balance	Additions	Amortisation	Total
-	688,850	(104,600)	584,250

Reconciliation of intangible assets - Economic entity - 2022

Indigent software

Opening balance	Additions	Amortisation	Total
-	688,850	(104,600)	584,250

Notes to the Consolidated Annual Financial Statements

Figures in Rand

13. Heritage assets

Economic entity	2022		2021	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
Art Collections, antiquities and exhibits	123,700	-	123,700	123,700
Controlling entity				
Municipal Jewellery	123,700	-	123,700	123,700

Reconciliation of heritage assets Economic entity - 2022

Art Collections, antiquities and exhibits	Opening balance	123,700	Total	123,700
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Reconciliation of heritage assets Economic entity - 2021

Art Collections, antiquities and exhibits	Opening balance	-	Additions	123,700	Total	123,700
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Reconciliation of heritage assets Economic entity - 2022

Municipal Jewellery	Opening balance	123,700	Total	123,700
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Reconciliation of heritage assets Economic entity - 2021

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand

13. Heritage assets (continued)

Municipal Jewellery

Opening balance	Additions	Total
-	123,700	123,700

14. Finance lease obligation

Minimum lease payments due

- within one year 436,657 291,105 436,657
 - in second to fifth year inclusive 291,105 - 291,105

less: future finance charges 727,762 291,105 727,762
 (7,495) (42,730)

Present value of minimum lease payments

291,105 291,105 283,610
291,105 727,762 283,610 685,032

Present value of minimum lease payments due

- within one year 401,422 283,610 401,422
 - in second to fifth year inclusive 283,610 - 283,610

283,610 685,032 283,610 685,032

Non-current liabilities

Current liabilities

- 283,610 - 283,610
 283,610 401,422 283,610 401,422
283,610 685,032 283,610 685,032

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

The average lease term is 2 years and the average effective borrowing rate was 7% (2021: 7%).

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

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

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
15. Payables from exchange transactions				
Trade payables [3]	9,557,450	6,038,561	9,389,959	5,822,094
Payments received in advance [1]	5,760,224	1,510,222	5,760,224	1,510,222
Unallocated Deposits [4]	2,872,738	1,980,074	2,871,670	1,977,652
Retentions	10,926,227	9,130,634	10,926,252	9,130,411
Accrued leave pay	10,489,185	10,523,644	10,489,185	10,523,644
Accrued bonus	1,809,590	1,924,025	1,809,590	1,924,025
Service concession assets	182,029	194,868	-	-
Payroll accruals	2,859,951	2,424,192	608,317	172,558
OR Tambo advance [2]	6,132,284	6,132,284	6,132,284	6,132,284
Other Creditors	23,525	145	-	-
	50,613,203	39,858,649	47,987,481	37,192,890

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

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

[3] The decrease in trade payables is due to reduction in accruals from prior year. The municipality managed to pay most of its invoices at year end.

[4] Unallocated deposits increased significantly in current year due to deposits made towards year end and the municipality has been falling up with the bank to identify their origin.]

16. Consumer deposits

Refuse	61,000	61,000	61,000	61,000
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17. Employee benefit obligations

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

Carrying value				
Present value of the defined benefit obligation-wholly unfunded	4,708,000	4,333,000	4,708,000	4,333,000
Non-current liabilities	4,004,000	3,807,000	4,004,000	3,807,000
Current liabilities	704,000	526,000	704,000	526,000
	4,708,000	4,333,000	4,708,000	4,333,000

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

Opening balance	4,333,000	4,407,000	4,333,000	4,407,000
Benefits paid	(506,248)	(1,024,602)	(506,248)	(1,024,602)
Assumed in an entity combination	881,248	950,602	881,248	950,602
	4,708,000	4,333,000	4,708,000	4,333,000

Net expense recognised in the statement of financial performance

Current service cost	562,000	501,000	562,000	501,000
Interest cost	366,000	265,000	366,000	265,000
Actuarial (gains) losses	(46,752)	184,602	(46,752)	184,602
	881,248	950,602	881,248	950,602

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
17. Employee benefit obligations (continued)				
Calculation of actuarial gains and losses				
Basis changes : Increase in net discount rates	(72,000)	8,000	(72,000)	8,000
Salary increase higher than assumed	(111,000)	153,000	(111,000)	153,000
Changes to employee profile different from assumed	156,000	56,000	156,000	56,000
Actual benefits vesting, lower than expected	(19,752)	(32,398)	(19,752)	(32,398)
	(46,752)	184,602	(46,752)	184,602

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.81 %	8.98 %	10.81 %	8.98 %
Expected increase in salaries	7.33 %	5.74 %	7.33 %	5.74 %
Average Retirement Age: Males (Years)	62	62	62	62
Average Retirement Age : Females (Years)	62	62	62	62

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 (2021: 8.5 years). The valuation, therefore used the nominal yield curve for SA government bonds with the duration of 6 years as at 30 June 2022. The resultant discount rate was 10.81% (2021: 8.98%). These rates are deduced from the interest rate data obtained from the JSE after the market close on 30 June 2022.

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 7.33% (2021 : 5.74%) 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.]

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

17. Employee benefit obligations (continued)

Other assumptions

Assumed general earnings inflation rates, discount rate, average retirement age of employees and assumed rates of withdrawal have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in general earnings inflation rate would have the following effects:

	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	36,000	(34,000)	36,000	(34,000)
Effect on defined benefit obligation	255,000	(235,000)	255,000	(235,000)

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

	2022 R	2021 R	2020 R	2019 R	2018 R
Defined benefit obligation	4,708,000	4,333,000	4,407,000	4,028,212	2,876,183

Defined contribution plan

It is the policy of the economic entity to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The economic entity is under no obligation to cover any unfunded benefits.

The total economic entity contribution to such schemes recognised as an expense	8,452,415	8,380,915	8,452,415	8,380,915
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18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Local Government Sector Education and Training Authority	-	71,626	-	71,626
Expanded Public Works Programme [3]	532,844	532,844	532,844	532,844
Finance Management Grant	1,666,404	532,437	1,666,404	532,437
Integrated National Electrification Programme Grant	30,000	-	30,000	-
Department of Sports, Recreation, Arts and Culture	-	978,372	-	978,372
Municipal Infrastructure Grant	1,471,539	-	1,471,539	-
Small Town Revitalization	3,575,958	4,983,663	3,575,958	4,983,663
Eradication of Alien Plants	1,405,705	5,765,803	1,405,705	5,765,803
Energy efficiency and demand side management	-	3,600,000	-	3,600,000
	8,682,450	16,464,745	8,682,450	16,464,745

Movement during the year

Balance at the beginning of the year	16,464,745	20,767,854	16,464,745	18,516,220
Amounts refunded to Treasury	(4,664,998)	(148,142)	(4,664,998)	(148,142)
Additions during the year	72,758,586	86,558,729	72,758,586	86,558,729
Income recognition during the year	(75,875,883)	(90,713,696)	(75,875,883)	(88,462,062)
	8,682,450	16,464,745	8,682,450	16,464,745

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

18. Unspent conditional grants and receipts (continued)

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

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

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

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

Description - 2022	National Treasury	Department of Transport	Total
Opening balance	36	-	36
Receipts	1,664,000	1,568,529	3,232,529
Conditions met (transferred to revenue)	(1,651,057)	(1,048,664)	(2,699,721)
	12,979	519,865	532,844

19. Operating lease liability

Non-current liabilities	2,398,837	2,354,605	2,398,837	2,354,605
Current liabilities	1,773,423	1,616,876	1,773,423	1,616,876
	4,172,260	3,971,481	4,172,260	3,971,481

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.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

20. Provisions

Reconciliation of provisions - Economic entity - 2022

	Opening Balance	Additions	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation (1)	15,053,689	-	(5,339,568)	1,328,262	11,042,383
VAT Provision (2)	13,940,370	991,569	-	-	14,931,939
	28,994,059	991,569	(5,339,568)	1,328,262	25,974,322

Reconciliation of provisions - Economic entity - 2021

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation (1)	10,565,447	3,705,268	782,974	15,053,689
VAT Provision (2)	13,005,931	934,439	-	13,940,370
	23,571,378	4,639,707	782,974	28,994,059

Reconciliation of provisions - Economic entity - 2022

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

Reconciliation of provisions - Economic entity - 2021

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	10,565,447	3,705,268	782,974	15,053,689
Non-current liabilities	11,042,383	15,053,689	11,042,383	15,053,689
Current liabilities	14,931,939	13,940,370	-	-
	25,974,322	28,994,059	11,042,383	15,053,689

[1]. Environmental rehabilitation - landfill sites

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

The evaluation, audit and computation of the provision for rehabilitation of the sites have been carried out by Environmental & Sustainability Solution CC.

The landfill site is expected to be used for the next twenty-three (23) years and it is estimated that R27 765 829 (2021: R31 626 152) will be spent to rehabilitate the site.

[2]. VAT Provision

A provision occurred in respect of interest and penalties on output VAT payable to the South African Revenue Services ("SARS").

The Agency did not declare output VAT on grant received when submitting VAT returns from the year 2006 to 2013. It is probable that SARS will charge interest and penalties on this debt. SARS official interest rate were used to determine the interest payable while penalties were provided for at 10% of the VAT liability in line with SARS practices.

It is still uncertain as to when the agency will open up the disclosure with SARS and incur this expenditure.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

21. Service charges

Refuse removal	1,043,132	1,006,013	1,043,132	1,006,013
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22. Rental of facilities and equipment**Premises**

Lease rental income	118,057	57,958	118,057	57,958
Rental - Halls	18,262	4,277	18,262	4,277

Premises	136,319	62,235	136,319	62,235
Garages and parking	-	-	-	-
Facilities and equipment	-	-	-	-

The increase in lease rentals was due to rentals received from renting out investment properties erf 398 and erf 183 which were leased out for the full year in the current year compared to prior period.

23. Licences and permits

Trading licences	56,062	60,122	56,062	60,122
Other Licences [1]	934,838	857,100	934,838	857,100
	990,900	917,222	990,900	917,222

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

24. Other income

Plan and tender documents fees	125,366	378,575	125,366	378,575
Sundry Income [1]	2,024,778	12,697	1,996,461	-
Grave Sites	34,891	46,122	34,891	46,122
Commission received	132,447	130,031	132,447	130,031
Greenest town [2]	300,000	-	300,000	-
	2,617,482	567,425	2,589,165	554,728

[1] The sundry income relates the decrease in landfill site provision amounting to R1 864 523 (2021: RNil) that is accounted as as a gain in line with IGRAP2 requirements. No such income was recognised in the prior year since this provision increased and the increase is accounted for as an increase in the landfill site asset. The other balances is mainly insurance claims.

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

25. Investment revenue**Interest revenue**

Bank	5,831,641	5,529,526	5,831,641	5,529,526
	-	-	-	-
	5,831,641	5,529,526	5,831,641	5,529,526

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
26. Property rates				
Rates received				
Property rates	10,978,259	11,972,172	10,978,259	11,972,172
Valuations				
Residential	197,483,000	197,132,500	197,483,000	197,132,500
Commercial	158,737,000	158,581,000	158,737,000	158,581,000
State	489,360,998	487,247,998	489,360,998	487,247,998
Municipal	40,107,500	40,075,500	40,107,500	40,075,500
Small holdings and farms	64,634,297	64,190,297	64,634,297	64,190,297
Vacant Plots	68,478,000	66,219,000	68,478,000	66,219,000
Place of worship	7,232,000	7,232,000	7,232,000	7,232,000
	1,026,032,795	1,020,678,295	1,026,032,795	1,020,678,295

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

Rates are levied on an annual basis. Interest at 15% per annum (2021: 15%)

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
27. Government grants & subsidies				
Operating grants				
Equitable share	168,139,999	191,971,142	168,139,999	191,971,142
Expanded Public Works Programme	1,593,000	2,699,721	1,593,000	2,699,721
Finance Management Grant	1,501,033	2,267,563	1,501,033	2,267,563
Local Government Sector Education and Training Authority	-	261,000	-	261,000
Department of Sports, Recreation, Arts and Culture	550,000	459,284	550,000	459,284
Eradication of alien plants project	4,360,098	-	4,360,098	-
	176,144,130	197,658,710	176,144,130	197,658,710
Capital grants				
Integrated National Electrification Programme	6,390,000	6,031,711	6,390,000	6,031,711
Municipal Infrastructure Grant	38,674,461	41,429,441	38,674,461	41,429,441
Small Town Revitalisation	22,807,291	35,313,343	22,807,291	35,313,343
	67,871,752	82,774,495	67,871,752	82,774,495
	176,144,130	197,658,710	176,144,130	197,658,710
	67,871,752	82,774,495	67,871,752	82,774,495
	244,015,882	280,433,205	244,015,882	280,433,205

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	76,401,247	88,462,063	76,401,247	88,462,063
Unconditional grants received	168,139,999	191,971,142	168,139,999	191,971,142
	244,541,246	280,433,205	244,541,246	280,433,205

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 (2021: 50kWH) which is funded from the the equitable share grant. Refuse removal services for a tariff of 100% of amount billed (2021: 100%) per month are offered for free to the indigent communities of Port St Johns. The indigent also receive gas and gas stoves to all 20 wards per financial year..

Local Government Sector Education and Training Authority

Balance unspent at beginning of year	71,626	71,401	71,626	71,401
Amounts refunded to National Treasury	(71,626)	-	(71,626)	-
Current year receipts	-	261,225	-	261,225
Conditions met - transferred to revenue	-	(261,000)	-	(261,000)
	-	71,626	-	71,626

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

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

Expanded Public Works Programme

Balance unspent at beginning of year	532,844	36	532,844	36
Current-year receipts	1,593,000	3,232,529	1,593,000	3,232,529
Conditions met - transferred to revenue	(1,593,000)	(2,699,721)	(1,593,000)	(2,699,721)

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

27. Remuneration of councillors (continued)

	532,844	532,844	532,844	532,844
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Conditions still to be met - remain liabilities (see note 18).

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

Finance Management Grant

Balance unspent at beginning of year	532,437	148,142	532,437	148,142
Amounts refunded to National Treasury	(15,000)	(148,142)	(15,000)	(148,142)
Current Year receipts	2,650,000	2,800,000	2,650,000	2,800,000
Conditions met- transferred to revenue	(1,501,033)	(2,267,563)	(1,501,033)	(2,267,563)
	1,666,404	532,437	1,666,404	532,437

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

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

Integrated National Electrification Programme Grant

Balance unspent at beginning of year	-	4,125,711	-	4,125,711
Current-year receipts	6,420,000	1,906,000	6,420,000	1,906,000
Conditions met - transferred to revenue	(6,390,000)	(6,031,711)	(6,390,000)	(6,031,711)
	30,000	-	30,000	-

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

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

Department of Sports, Recreation , Arts and Culture

Balance unspent at beginning of year	978,372	887,656	978,372	887,656
Amounts refunded to National Treasury	(978,372)	-	(978,372)	-
Current year- receipts	550,000	550,000	550,000	550,000
Conditions met - transferred to revenue	(550,000)	(459,284)	(550,000)	(459,284)
	-	978,372	-	978,372

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

The purpose of the grant is to maintain existing library facilities, assist in supervising and administartion 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	-	10,609,440	-	10,609,440
Current-year receipts	40,146,000	30,820,000	40,146,000	30,820,000
Conditions met - transferred to revenue	(38,674,461)	(41,429,440)	(38,674,461)	(41,429,440)
	1,471,539	-	1,471,539	-

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

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

27. Remuneration of councillors (continued)

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..

Small Town Revitalisation

Balance unspent at beginning of year	4,983,663	2,490,031	4,983,663	2,490,031
Current-year receipts	21,399,586	37,806,975	21,399,586	37,806,975
Conditions met - transferred to revenue	(22,807,291)	(35,313,343)	(22,807,291)	(35,313,343)
	3,575,958	4,983,663	3,575,958	4,983,663

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

The project provides finance for upgarding of road infrastructure in rural townships

Eradication of alien plants project

Balance unspent at beginning of year	5,765,803	183,803	5,765,803	183,803
Current-year receipts	-	5,582,000	-	5,582,000
Conditions met - transferred to revenue	(4,360,098)	-	(4,360,098)	-
	1,405,705	5,765,803	1,405,705	5,765,803

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

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

Energy efficiency and demand side management

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

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

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

28. Donations Received

Donations	-	10,779,702	-	10,779,702
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Reconciliation of donations received

Dumasi bridge from SANRAL	-	10,477,288	-	10,477,288
Value of free cell phones and tablets from Vodacom	-	229,943	-	229,943
Mkzanzini community hall donated by the Chief	-	72,471	-	72,471
	-	10,779,702	-	10,779,702

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

29. Fines, Penalties and Forfeits

Municipal Traffic Fines	261,000	253,100	261,000	253,100
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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
30. Employee related costs				
Basic	69,021,465	64,391,156	62,815,468	58,524,687
Medical aid - company contributions	4,907,018	4,594,035	4,907,018	4,594,035
UIF	384,057	402,622	384,057	402,622
Leave pay provision charge	(304,088)	1,496,313	(304,088)	1,496,313
Defined contribution plans	8,452,415	8,380,915	8,452,415	8,380,915
Overtime payments	3,058,806	1,846,250	3,058,806	1,846,250
Long-service awards	562,000	501,000	562,000	501,000
Allowances	11,332,558	11,668,824	11,332,558	11,668,824
	97,414,231	93,281,115	91,208,234	87,414,646

[1] Allowances amount is composed of all the allowances such as acting, car/ travel, night shift , standby , clothing , COVID 19 danger allowances and shift allowances.

Remuneration of municipal manager - HT Hlazo

Annual Remuneration	1,000,857	923,868	1,000,857	923,868
Car Allowance	180,000	180,000	180,000	180,000
Bonuses	-	76,989	-	76,989
Contributions to UIF, Medical and Pension Funds	14,051	13,740	14,051	13,740
Other allowances (housing, remote and travel)	61,728	67,060	61,728	67,060
	1,256,636	1,261,657	1,256,636	1,261,657

Remuneration of chief finance officer -BA Mbana

Annual Remuneration	996,187	919,558	996,187	919,558
Bonuses	-	25,543	-	25,543
Contributions to UIF, Medical and Pension Funds	12,019	11,196	12,019	11,196
Other allowances (housing, remote and travel)	48,064	59,974	48,064	59,974
	1,056,270	1,016,271	1,056,270	1,016,271

Remuneration of Corporate Services Manager -LT Somtseu

Annual Remuneration	807,908	807,908	807,908	807,908
Car Allowance	150,000	150,000	150,000	150,000
Contributions to UIF, Medical and Pension Funds	11,848	11,505	11,848	11,505
Other allowances (housing , remote and travel)	70,364	91,363	70,364	91,363
	1,040,120	1,060,776	1,040,120	1,060,776

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

Annual Remuneration	535,287	972,188	535,287	972,188
Car Allowance	-	24,000	-	24,000
Contributions to UIF, Medical and Pension Funds	5,959	11,165	5,959	11,165
Other allowances (housing, remote and travel)	21,549	60,089	21,549	60,089
	562,795	1,067,442	562,795	1,067,442

After the incumbent left the municipality in November 2021, the post remained vacant until July 2022 when the post was filled. During the vacancy period, the roles of the Community Services Manager were being performed by the Municipal Manager.

Remuneration of Engineering Services Manager -CCA O'Bose

Annual Remuneration	846,187	996,188	846,187	996,188
Car Allowance	150,000	-	150,000	-
Contributions to UIF, Medical and Pension Funds	12,185	12,173	12,185	12,173

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
30. Employee related costs (continued)				
Other allowances (housing , remote and travel)	54,847	59,302	54,847	59,302
	1,063,219	1,067,663	1,063,219	1,067,663

Remuneration of LED Manager - S Xuku

Annual Remuneration	996,188	996,188	996,188	996,188
Contributions to UIF, Medical and Pension Funds	12,485	12,173	12,485	12,173
Other allowances (housing, remote and travel)	53,163	60,553	53,163	60,553
Acting allowance	-	17,408	-	17,408
	1,061,836	1,086,322	1,061,836	1,086,322

Remuneration of the Acting Chief Finance Officer - S. Shinta (Appointed February 2022 to June 2022)

Acting allowance	67,621	-	67,621	-
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31. Remuneration of councillors

Councillors	13,717,154	13,089,325	13,717,154	13,089,325
PSJDA Board Members	15,225	-	-	-
	13,732,379	13,089,325	13,717,154	13,089,325

Controlling entity 2022

	Annual Remuneration	Backpay	Car and Travel Allowance	Cellphone Allowance	Acting Allowance	Total
MLombile/ Cingo N. Mayor	746,369	56,738	80,683	7,563	-	144,984
Nduku / Mazuza C- Speaker	588,115	48,858	61,553	6,015	-	114,426
X Moni - Chief Whip	486,779	37,915	36,179	6,765	-	80,859
Subtotal	1,821,263	141,511	178,415	20,343	-	2,161,532
Other Councillors	9,685,889	587,978	938,457	323,082	35,441	11,570,847
	11,507,152	729,489	1,116,872	343,425	35,441	13,732,379

Controlling entity 2021

	Annual Remuneration	Backpay	Car Allowance	Cellphone Allowance and other	Acting Allowance	Total
MLombile / Cingo N. Mayor	645,644	2,382	215,216	6,238	-	869,480
A.A Gantsho - Speaker	516,516	356	172,172	22,823	-	711,867
Nduku / Mazuza C . Chief Whip	484,234	-	161,412	4,140	-	649,786
Subtotal	1,646,394	2,738	548,800	33,201	-	2,231,133
Other Councillors	7,894,080	9,812	2,628,915	302,260	23,125	10,858,192
	9,540,474	12,550	3,177,715	335,461	23,125	13,089,325

In-kind benefits

The Mayor, Speaker and Chief Whip are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor and the Speaker are also provided a Municipal car for their use.

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

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

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
32. Depreciation and amortisation				
Property, plant and equipment	55,855,577	55,808,951	55,740,018	55,808,951
Investment property	167,200	52,157	167,200	52,157
Intangible assets	104,600	-	104,600	-
	56,127,377	55,861,108	56,011,818	55,861,108
33. Impairment loss				
Impairments				
Property, plant and equipment	12,872,528	15,060,045	12,872,528	15,060,045
Investment property	-	310,319	-	310,319
	12,872,528	15,370,364	12,872,528	15,370,364
	12,872,528	15,370,364	12,872,528	15,370,364
	-	-	-	-
34. Finance Costs				
Trade and other payables	11,208	12,738	11,208	12,738
Service concession arrangements	991,569	970,558	-	-
Other finance costs [1]	1,751,010	1,085,252	1,751,010	1,085,252
	2,753,787	2,068,548	1,762,218	1,097,990
[1] Other finance costs relate to interest on finance leases, landfill site rehabilitation provision and on employee benefits obligations. The table below details the breakdown :				
Finance leases	35,236	20,461	35,236	20,461
Landfill site rehabilitation provision discounting	1,328,262	782,974	1,328,262	782,974
Long Service award	366,000	265,000	366,000	265,000
Bank	-	-	-	16,817
	1,729,498	1,068,435	1,729,498	1,085,252
35. Lease rentals on operating lease				
Equipment				
Contractual amounts	724,376	702,065	676,794	701,127
36. Debt impairment				
Debt impairment	5,194,280	9,952,447	5,194,280	9,952,447
Contributions to debt impairment provision	-	21,550	-	-
	5,194,280	9,973,997	5,194,280	9,952,447
Breakdown of debt impairment				
Property rates	4,124,441	7,834,062	4,124,441	7,834,062
Refuse	1,259,863	1,822,579	1,259,863	1,822,579
Traffic fines	(190,024)	295,806	(190,024)	295,806
	5,194,280	9,952,447	5,194,280	9,952,447

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
37. Contracted services				
Consultants and Professional Services				
Business and Advisory	5,648,204	5,533,510	5,648,204	5,533,510
Legal Cost	4,417,658	1,829,557	4,417,658	1,810,678
Presented previously	-	-	-	-
Outsourced Services	-	-	-	-
Consultants and Professional Services	<u>10,065,862</u>	<u>7,363,067</u>	<u>10,065,862</u>	<u>7,344,188</u>
Contractors	-	-	-	-
38. Transfer and subsidies				
Other subsidies				
LED Programmes- (PSJDA)	-	-	9,611,994	9,338,833
Grants paid to ME's	-	-	-	-
Other subsidies	-	-	<u>9,611,994</u>	<u>9,338,833</u>

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
39. General expenses				
Advertising and communications	909,642	1,039,963	899,382	1,029,388
Tourism development	166,090	17,683	-	-
Audit Committee fees	230,317	355,577	226,574	355,577
Auditors remuneration	5,594,210	4,778,257	5,137,060	4,335,840
Bank charges	1,191,559	259,665	1,175,959	246,579
Beach management	66,630	-	66,630	-
Books and publications	121,398	15,144	5,398	15,144
Casual wages	3,422,458	3,344,962	3,422,458	3,344,962
Cleaning	83,455	136,184	62,450	111,028
Community development and training	311,201	97,525	311,201	97,525
Computer expenses	49,076	41,384	47,576	41,384
Accounting fees	60,800	364,648	-	-
Consumables	338,039	983,927	338,039	983,927
Contract cancellation	-	931	-	931
Debt collection	564,608	812,180	564,608	812,180
Disciplinary Board fees	18,000	18,000	18,000	18,000
Discount allowed [4]	179,603	276,694	179,603	276,694
Donations and Grants [6]	5,659,062	-	5,659,062	-
Electricity	675,961	297,759	675,961	297,759
Eradication of alien plants project expenditure and stipends	4,319,727	-	4,319,727	-
Annual fees	300	600	-	-
Fines and penalties	28,461	39,574	-	-
Free basic electricity	4,021,144	3,629,403	4,021,144	3,629,403
Fuel and oil	6,226,568	5,166,596	6,211,860	5,156,494
Gas cylinders and stoves [3]	3,247,695	1,905,389	3,247,695	1,905,389
Hire	3,335,104	338,021	3,335,104	338,021
Insurance	189,454	1,464,386	104,785	1,386,591
Integrated development plan	8,000	375,648	8,000	375,648
Internships	-	261,000	-	261,000
Landfill site rehabilitation	321,111	-	321,111	-
Library Services	402,774	239,404	402,774	239,404
License fees	326,855	424,799	325,775	422,509
MIG grant expenses	236,522	-	236,522	-
Meals and entertainment	1,272,230	265,995	1,267,451	265,445
Municipal planning tribunal members allowance	-	8,108	-	8,108
Other expenses	-	10,766	-	10,766
Postage and courier	685	-	685	-
Printing and stationery	1,101,595	962,264	1,051,960	929,388
Repairs and maintenance	7,541,748	5,842,956	7,396,567	5,801,300
Risk Management	4,250	-	4,250	-
Section 79 Committees	-	54,118	-	54,118
Skills Development Levy	725,375	620,868	725,375	620,868
Social Responsibility program	1,956,022	1,250,029	1,956,022	1,250,029
Staff welfare [1]	46,427	480,083	42,420	450,748
Subscriptions and membership fees	869,093	875,355	869,093	875,355
Support to traditional authorities and councillors	22,800	176,181	22,800	176,181
Telephone and fax	5,228,496	4,712,204	5,177,333	4,669,349
Training	1,655,807	375,359	1,655,807	375,359
Travel - local	6,006,332	4,891,746	5,881,727	4,853,853
Uniforms and protective clothing [2]	1,207,303	1,026,730	1,207,303	1,003,824
Valuation Roll	52,174	30,214	52,174	30,214
Ward Assistance	2,695,543	3,836	2,695,543	3,836
Ward Committee stipend	4,463,252	5,635,000	4,463,252	5,635,000
Workman's compensation	1,420,264	314,700	1,420,264	314,700
	78,575,220	54,221,815	77,214,484	53,009,818

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

39. General expenses (continued)

[1] This relates to expenditure incurred by the Municipality relating to procurement of personal protective equipment and sanitizers for employee protection against COVID -19 as well as general employee wellness expenses.

[2] The huge increase is due to issue out of inventory of protective clothing material amount to R 583 898

[3] This was a programme undertaken in the previous current year by the municipality to supply indigent household with gas cylinders and gas stoves for use as alternatives for electricity.

[4] The municipality introduced an incentive policy in the previous year for the consumers and rate payers who are willing to settle their accounts in full to receive some settlements.

[5] In the current year, the municipality and the Department of Public Works undertook consumer account reconciliation with the intention of enforcing collection thereafter. It was discovered and agreed between the parties that there were payments from the Department of Public Works amounting to R8 452 501 relating to the years up to and including 2013 which Port St Johns had credited to their accounts. However, records dating back to the 2013 and prior periods are no longer available, and Port St Johns does not have any unallocated receipts dating that far back. Therefore, the amount has been recognised as an expense.

[6] Donations and Grants relates to completed INEP projects handed over to Eskom.

40. Auditors' remuneration

Auditor General fees	5,594,210	4,778,257	5,137,060	4,335,840
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41. Cash generated from operations

(Deficit) surplus	(16,421,859)	52,599,317	(17,051,405)	51,468,226
Adjustments for:				
Depreciation and amortisation	56,127,377	56,164,601	55,737,721	56,034,553
Loss / (Gain) on sale of assets and liabilities	9,220,620	11,562,616	9,220,620	11,562,616
Actuarial gains	(46,752)	-	(46,752)	-
Finance costs	366,000	33,198	366,000	33,198
Impairment loss	12,872,528	15,370,364	12,872,528	15,370,364
Debt impairment	5,194,280	9,973,997	5,194,280	9,952,447
Movements in operating lease assets and accruals	1,328,262	122,941	1,328,262	122,941
Movements in retirement benefit assets and liabilities	-	(74,000)	-	(74,000)
Movements in provisions	-	5,422,681	-	4,488,242
Inventory losses or write-downs	1,475,117	-	1,475,117	-
Non-cash donations	(901,424)	(10,779,702)	(901,424)	(10,779,702)
Non-cash employee costs	(93,142)	229,943	(93,142)	229,943
Landfill site asset addition	(1,864,523)	(3,705,268)	(1,864,523)	(3,705,268)
Other non-cash items	2,384,028	(11,807)	1,715,874	(11,808)
Changes in working capital:				
Inventories	(647,479)	(1,010,338)	(647,479)	(1,010,337)
Receivables from exchange transactions	(1,604,945)	19,600,681	(1,604,945)	19,528,326
Consumer debtors	(8,550,173)	(9,504,821)	(8,550,173)	(1,353,403)
Other receivables from non-exchange transactions	(385,075)	272,804	(385,075)	(7,857,063)
Payables from exchange transactions	7,489,846	(781,033)	7,529,883	69,135
VAT	(642,141)	5,158,780	(633,933)	5,201,987
Unspent conditional grants and receipts	(7,782,295)	(2,051,475)	(7,782,295)	(2,051,475)
	57,518,250	148,593,479	55,879,139	147,218,922

42. Service in-kind

The municipality received some assistance from the OR District Municipality in respect of internal audit services, IT assistance and secondment of the Acting Chief Financial Officer during the year. The municipality has not been paying for these services therefore, these qualifies to be regarded as a service in kind. We could not determine the benefit enjoyed by the municipality.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

43. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2022

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	66,120	66,120
Consumer debtors	1,190,653	1,190,653
Cash and cash equivalents	125,728,109	125,728,109
	126,984,882	126,984,882

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	37,499,510	37,499,510
Finance lease obligation	283,610	283,610
Consumer deposits	61,000	61,000
	37,844,120	37,844,120

Economic entity - 2021

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	66,120	66,120
Consumer debtors	1,190,653	1,190,653
Cash and cash equivalents	149,075,524	149,075,524
	150,332,297	150,332,297

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	24,572,662	24,572,662
Finance lease obligation	685,032	685,032
Consumer deposits	61,000	61,000
	25,318,694	25,318,694

Economic entity - 2022

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	66,120	66,120
Consumer debtors	1,190,653	1,190,653
Cash and cash equivalents	121,987,476	121,987,476
	123,244,249	123,244,249

Financial liabilities

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

43. Financial instruments disclosure (continued)

	At amortised cost	Total
Payables from exchange transactions	35,080,389	35,080,389
Finance lease obligation	283,610	283,610
Consumer deposits	61,000	61,000
	35,424,999	35,424,999

Economic entity - 2021

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	66,120	66,120
Consumer debtors	572,791	572,791
Cash and cash equivalents	146,974,002	146,974,002
	147,612,913	147,612,913

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	24,572,662	24,572,662
Finance lease obligation	685,032	685,032
Consumer deposits	61,000	61,000
	25,318,694	25,318,694

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
44. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
• Property, plant and equipment	37,203,681	63,684,800	37,203,681	63,684,800
Total capital commitments				
Already contracted for but not provided for	37,203,681	63,684,800	37,203,681	63,684,800
Authorised operational expenditure				
Already contracted for but not provided for				
• General Expenditure	4,349,173	10,059,632	4,349,173	10,059,632
Total operational commitments				
Already contracted for but not provided for	4,349,173	10,059,632	4,349,173	10,059,632
Total Commitments				
Authorised Capital expenditure	37,203,681	63,684,800	37,203,681	63,684,800
Authorised operational expenditure	4,349,173	10,059,632	4,349,173	10,059,632
	41,552,854	73,744,432	41,552,854	73,744,432

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

Operating leases - as lessee (expense)**Minimum lease payments due**

- within one year	973,236	470,155	936,780	434,629
- in second to fifth year inclusive	3,070,285	1,211,354	3,032,884	1,138,427
- later than five years	4,173,002	4,940,714	4,173,063	4,940,714
	8,216,523	6,622,223	8,142,727	6,513,770

[1] Port St Johns Local 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.

[2] Port St Johns local municipality leased 10 photocopier machines for a period of 36 months from Aloe Office and Business Equipment (Pty) Ltd effective from 31 January 2019. This contract ended in december 2021 and was extended to March 2022. The municipality entered a new contract for three (3) years in June 2022. The lease payments for the new lease varies according to the machine leased which is payable monthly and has no escalation. No contingent rent is payable.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
45. Contingencies				
Contingent Liability				
Port St Johns Municipality Vs Luxolo Fono (Case number 4056/2018) This matter was about the illegal structure built at ERF 1 & 736 at second beach. The court order was issued. The matter is now resolved in favour of the municipality. An appeal has since been lodged and a date for its hearing is yet to be announced	-	-	-	-
Tafimi 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.	-	-	-	-
Port St Johns local municipality vs PSJ contractors association (Case number 1392/2020) This matter relates to civil claim. Dispute on the awarding of Honeysucker services contract PSJLM 2019/20-06. There was no amount claimed on this case.	-	-	-	-
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. The attorneys are of the view that in the event that the municipality loses the case, the claim will not exceed R200 000. The contingent liability inclusive of legal fees is etimated to be R8 000 000.	8,000,000	200,000	8,000,000	200,000
Port St Johns Local Municipality vs Sapho Ndabeni (case number 522/2021) This is a PAIA dispute and the municipality was served with a default judgement of R26 602 for failure to have PAIA manual. The case was finalised in the current year and settlement done.	-	26,602	-	26 602
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 propety he unlawfully occupied was demolished in terms of the court order.	6,876,238	6,876,238	6,876,238	6,876,238
Fundile Nogumla & Another Vs Port St Johns (Case number 591/2016) This is a civil claim for damages amounting to R12 100 000 against the municipality suffered because of alleged negligence by the municipality (shark attack). This matter was struck of as a result of the non-appearance of the plaintiffs legal representatives in court. Matter is not yet reinstated.	12,100,000	12,100,000	12,100,000	12,100,000

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
45. Contingencies (continued)				
Z Ndabeni & Others Vs Port St Johns (Case number 2209/16) The Municipality was bein sued for unlawful arrest. The matter was struck off the roll by the judge due to a no show pulled by the plaintiffs	-	-	-	-
Mnoneleli T. Mfecane Vs Port St Johns (Case number 5513/2018) Mfenace applied for interdict to stop the Municipality from using ERF 283 AND 266 at first beach. The laywers of the municipality are unable to ascertain the likelihood of action against the municipality being successful.	-	-	-	-
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 motr vehicles that were impounded to be compensated with the monetary value of R83 000. The laywere 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	83,000	83,000
Eyethu Projects and Plant Hire vs Port St Johns (Case number 3676/2022) Eyethu projects tendered for projects to construct access roads and lost the tender to other bidders. Eyethu applied for interdict to court to try and stop the commencement of these projects.	-	-	-	-
Former Ward Councillors vs PSJ Municipality The former ward concillors want the municipality to pay them R1M each as an incentive. The total capital claimed is R17 000 000.	17,000,000	-	17,000,000	-
	44,059,238	19,285,840	44,059,238	19,285,840

Contingent assets

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

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

46. Related parties

Relationships

Accounting Officer

Other members of key management

Mr. H.T. Hlazo
 Ms. B.A. Mbana - Chief Financial Officer
 Mr. L.T. Somtseu - Corporate Service Senior Manager
 Mr. S. Xuku - LED Senior Manager
 Mr. CCA O'bose - Engineering Senior Manager
 Mr. F. Guleni - Community Services Senior Manager
 Port St Johns Development Agency
 Cllr. N Mlombile - Cingo
 Cllr. C Nduku/ Mazuza
 Cllr. X. Moni
 Cllr. Z. Mhlabeni
 Cllr. N. Tani
 Cllr. S. Madolo
 Cllr. G. Tshoto
 Cllr. L. Ndamase
 Cllr. Z. Mtiki
 Cllr. F. Mafaka
 Cllr. SL. Ntlatywa
 Cllr. S. Sicoto
 Cllr. SV. Mavimbela
 Cllr. N. Vava
 Cllr. B. Mjakuja
 Cllr. O. Ndumela
 Cllr. B. Ncomfu
 Cllr. N. Dobe
 Cllr. K. Bikiza
 Cllr. NF. Dobe
 Cllr. N. Puzi
 Cllr. N. Kawu
 Cllr. MA. Jam-jam
 Cllr. N. mazaleni
 Cllr. C. Hashibi
 Cllr. TZ Pato
 Cllr. T. Tshikitshwa
 Cllr. CT Xangayi
 Cllr. M. Ntiyantiya
 Cllr. N. Javu
 Cllr. MN. Makaula
 Cllr. IPB. Ndudu
 Cllr. SI. Ncolosi
 Cllr. P. Ngozi
 Cllr. M. Maninjwa
 Cllr. LD. Mafaka
 Cllr. AA. Gantsho
 Cllr. MB. Madotyeni
 Cllr. S. Ndabeni
 Cllr. Maqhajini

Controlled Entity

Mayor

Speaker

Chief Whip

Councillors.

[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

- - 9,611,994 9,338,833

Remuneration of management

Notes to the Consolidated Annual Financial Statements

Figures in Rand

46. Related parties (continued)

Management class: Councillors

2022

Name	Acting Allowance	Annual Remuneration	Car Allowance	Cellphone allowance	Total
A MZUNGULE	-	75,554	24,216	5,777	105,547
AA GANTSHO	-	349,547	125,411	5,569	480,527
B MJAKUJA	-	347,382	36,179	9,800	393,361
B NCOMFU	-	245,913	-	4,290	250,203
C HASHIBI	-	180,833	-	4,290	185,123
CT XANGAYI	-	180,833	-	4,290	185,123
D MADINI	-	75,554	24,216	3,927	103,697
DZ MNCEBA	-	75,554	24,216	3,411	103,181
F JAMA	-	75,554	24,216	5,134	104,904
F MAFAKA	-	337,358	36,179	7,099	380,636
G TSHOTHO	-	342,721	36,179	10,478	389,378
GX VIMBA	-	75,554	24,216	5,480	105,250
IPB NDUDU	-	181,211	-	4,290	185,501
K BIKIZA	-	245,913	-	4,290	250,203
K MAJEKE	-	75,554	24,216	1,725	101,495
L MAQHAJINI	-	168,362	-	4,624	172,986
L NDAMASE	-	276,564	36,179	10,024	322,767
M DYOSABA	-	75,554	24,216	4,158	103,928
M HOBO	-	96,961	31,077	4,601	132,639
M MANINJWA	-	180,833	-	4,290	185,123
M NTIYANTIYA	-	180,833	-	4,290	185,123
M VENI	-	96,961	31,077	5,480	133,518
MA JAM JAM	-	180,833	-	4,290	185,123
MB MADOTYENI	-	252,225	28,378	22,790	303,393
NM MAKAULA	-	180,833	-	-	180,833
N JAVU	-	180,833	-	-	180,833
N KAWU	-	180,833	-	-	180,833
N PUZI	-	180,833	-	-	180,833
N TANI	13,907	337,358	36,179	2,109	389,553
N TSHITSHILIZA	-	96,961	31,077	6,319	134,357

Notes to the Consolidated Annual Financial Statements

Figures in Rand

46. Related parties (continued)

N VAVA	-	252,225	28,378	10,105	290,708
NB MTUKU	-	99,894	32,017	5,628	137,539
NC FONO	-	75,554	24,216	3,664	103,434
NF BOKWE	-	75,554	24,216	6,926	106,696
NP MAJALI	-	99,894	32,017	5,888	137,799
O NDUMELA	-	241,387	-	4,290	245,677
P NGOZI	-	180,833	-	4,290	185,123
PN SOGA	-	75,554	24,216	5,594	105,364
RM ZWENI	-	96,961	31,077	10,048	138,086
SC NDUKU / MAZUZA	-	623,361	61,553	8,144	693,058
SL ROLOBILE	-	75,554	24,216	3,864	103,634
S MADOLO	-	252,225	28,378	22,790	303,393
SN MLOMBILE E-CINGO	-	788,509	80,683	8,936	878,128
S NDABENI	-	252,225	28,378	22,790	303,393
S NF DOBE	-	180,833	-	4,290	185,123
S SICOTO	-	313,019	28,378	8,394	349,791
SI NCOLOSI	-	180,833	-	4,290	185,123
SL NTLATYWA	-	252,225	28,378	10,517	291,120
SS N DOBE	-	180,833	-	4,290	185,123
SS N MAZELANI	-	180,833	-	4,290	185,123
SS MDIDANA	-	75,554	-	4,290	79,844
SS T TSHIKITSHWA	-	180,833	24,216	16,167	221,216
SV MAVIMBELA	-	327,837	35,239	4,290	369,091
T NTSHAM	-	75,554	24,216	6,015	105,785
TZ PATO	-	180,833	-	3,537	184,370
TM MSONGELWA	-	75,554	24,216	4,290	104,066
X MONI	-	515,424	36,179	5,486	557,089
Z MHLABENI	-	252,225	28,378	9,213	289,816
Z MTKI	-	252,225	28,378	8,699	289,302
ZH CUBE	-	75,554	24,216	3,892	103,662
	13,907	12,021,711	1,298,566	382,970	13,717,154

2021

Acting allowance Annual remuneration back pay Car allowances Cellphone Allowance and other Total

Notes to the Consolidated Annual Financial Statements

Figures in Rand

46. Related parties (continued)								
X MONI	23,123	270,145	-	90,048	5,940	389,256		
Z MAQINA	-	136,215	-	45,405	7,160	188,780		
Z MHLABENI	-	204,322	-	68,108	4,140	276,570		
Z MTIKI	-	204,322	-	68,108	5,940	278,370		
Z TOTWANA	-	7,340	-	-	160	7,500		
ZH CUBE	-	204,322	-	68,108	4,140	276,570		
	23,123	9,540,464	12,551	3,177,726	335,461	13,089,325		

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 in terms of Municipal Finance Management Act"

47. 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.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

47. Risk management (continued)**Credit risk**

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

Credit risk consist mainly of cash deposit, cash equivalents and receivables from customer fr 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 objetively determined , having regard to tije credit risk experience and payment history of the particular categories of debtors.

The municipality limits its counterparty 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 counterparty 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	Economic entity - 2022	Economic entity - 2021	Economic entity - 2022	Economic entity - 2021
Receivables from exchange transactions	66,120	66,120	66,120	66,120
Consumer Debtors	1,190,653	572,791	1,190,653	572,791
Cash and cash equivalents	125,728,109	149,075,524	121,987,476	146,974,002

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

Controlling entity 2022	Carrying amount	Contractual cash flows	1 year or less	> 1 year
Finance lease obligation	283,610	283,610	283,610	-
Payables from exchange transactions	35,080,383	35,080,383	35,080,383	-
Consumer deposits	61,000	61,000	61,000	-
	35,424,993	35,424,993	35,424,993	-

Controlling entity 2021	Carrying amount	Contractual cash flows	1 year or less	> 1 year
Finance lease obligation	685,032	685,032	401,422	283,610
Payables from exchange transactions	24,572,662	24,572,662	24,572,662	-
	61,000	61,000	61,000	-
	25,318,694	25,318,694	25,035,084	283,610

Market risk

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

47. Risk management (continued)

Interest rate risk

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

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

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Receivables from exchange transactions	- %	66,120	-	-	-	-
Consumer debtors	15.00 %	1,190,653	-	-	-	-
Cash in current banking institutions	4.28 %	125,728,108	-	-	-	-
Finance lease liabilities	7.00 %	(283,610)	-	-	-	-
Consumer deposits	- %	(61,000)	-	-	-	-
Payables from exchange transactions	- %	(35,247,870)	-	-	-	-

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.

48. Going concern

We draw attention to the fact that at June 30, 2022, the municipality had an accumulated surplus (deficit) of R 603,908,603 and that the municipality's total liabilities exceed its assets by R 603,908,603.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

48. Events after the reporting date (continued)

The consolidated 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.

Realisation of assets

Major assets of the Municipality are liquid and can be realised for market value as and when the need arises. This is positive on the going concern assessment.

Contingent Obligations

The municipality does have equivalent cash reserves to honour the contingent obligations should they fall due. This has a positive impact on the going concern assessment.

Operating Results

The municipality incurred a deficit for the first time in the current year. This has a negative impact on going concern. However, this was mainly due to non-cash accounting adjustments in respect of assets derecognition, impairment, depreciation and derecognition of INEP electrification projects upon handing them over to eskom..

Commitments

Commitments are mainly for work in progress projects that have ring fenced funding available for the project lifespan. This is a positive impact on the going concern assessment. Further, to confirm positive assessment of going concern, users are advised to take cognisance of the motivations below:

- There is a commitment from National Treasury to fund the operations of the municipality through equitable shares and conditional grants. This is substantiated by past practice and gazettes issued by National Treasury for the MTREF period under consideration.
- There is no change in the legislation that impact on the municipality's ability to continue as a going concern.
- There are plans to ensure that there is effective spending of funds.

The following factors if not monitored could undermine the going concern assumptions indicated above they were not properly managed as indicated

The Municipality is experiencing challenges of collecting for revenue relating to rates and refuse from taxpayers : The litigation against the municipality to the value of R 36 259 238 (2021: R19 285 840) provides continuity risk for the Municipality. However, management continues to monitor the risk and it has liquid resources to cover these should they materialise.

Based on the above assessment done, the municipality is a going concern and thus should prepare its financial statements for the year ended 30 June 2022 under the going concern assumption. The municipality will continue with its endeavours to increase revenue and reserve, as well as, reducing the financial commitments to ensure good financial health. The municipality continues to manage the mentioned risks individually in order to ensure that there do not pose major threat to going concern.

49. Events after the reporting date

The municipality is not aware of any matter or circumstance arising since the end of the financial year..

50. Unauthorised expenditure

Opening balance as previously reported	195,831,353	130,310,835	195,831,353	130,310,835
Add: Unauthorised expenditure - current	49,529,466	65,520,518	49,529,466	65,520,518
Closing balance	245,360,819	195,831,353	245,360,819	195,831,353

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

50. Unauthorised expenditure (continued)

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

Non-cash	29,175,642	48,065,854	29,175,642	48,065,854
Cash	20,353,824	17,454,664	20,353,824	17,454,664
	49,529,466	65,520,518	49,529,466	65,520,518

Analysed as follows: non-cash

Actuarial losses	-	184,602	-	184,602
Debt Impairment	-	4,952,448	-	4,952,448
Depreciation and amortisation	5,041,031	15,096,064	5,041,031	15,096,064
Finance costs	609,805	797,401	609,805	797,401
Impairment loss	12,872,528	15,370,364	12,872,528	15,370,364
Inventories losses / write -downs	1,475,117	102,360	1,475,117	102,360
Loss on disposal of property, plant and equipment	9,177,160	11,562,615	9,177,160	11,562,615
	29,175,641	48,065,854	29,175,641	48,065,854

Analysed as follows: cash

Employee related costs	14,731,535	17,454,664	14,731,535	17,454,664
General expenditure	4,945,496	-	4,945,496	-
Lease rentals on operating lease	676,793	-	676,793	-
	20,353,824	17,454,664	20,353,824	17,454,664

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.

Unauthorised expenditure incurred in the previous years is currently under investigation by the Municipal Public Accounts Committee (MPAC) working together with the Internal Audit. There is also an independent investigation on same being performed jointly by the department of Cooperative Governance and Traditional Affairs and National Treasury. These investigations are still underway , and their reports will inform the Municipality on how to deal with the expenditure as directed by legislation.

Unauthorised expenditure: Budget overspending – per municipal department:

Vote 3- Municipal Manager	1,405,748	1,405,748
Vote 4- Corporate services	7,932,363	7,932,363
Vote 5- Community services	6,218,704	6,218,704
Vote 6- Financial services	30,306,210	30,306,210
Vote 7- Infrastructure	3,666,441	3,666,441
	49,529,466	49,529,466

51. Fruitless and wasteful expenditure

Opening balance as previously reported	31,740,618	29,967,748	20,222,195	19,459,457
Add: Fruitless and wasteful expenditure identified - current	1,825,065	1,022,870	794,685	12,738
Add: Fruitless and wasteful expenditure identified - prior period	-	750,000	-	750,000
Closing balance	33,565,683	31,740,618	21,016,880	20,222,195

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2022	2021	2022	2021
51. Fruitless and wasteful expenditure (continued)				
Details of fruitless and wasteful expenditure				
Interest and penalties incurred on late payment of suppliers and SARS	1,031,238	1,022,870	11,208	12,738
Duplicated Invoices	-	-	-	750,000
Payments made in vain	793,827	750,000	783,477	-
	1,825,065	1,772,870	794,685	762,738

[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 Auditor.

52. Irregular expenditure

Opening balance as previously reported	252,127,234	210,492,290	245,291,243	203,656,299
Add: Irregular expenditure - current	5,521,624	13,060,605	5,352,031	13,060,605
Add: Irregular expenditure - prior period	1,792,547	28,574,339	1,792,547	28,574,339
Less: Amount written off - current	(4,015,742)	-	(4,015,742)	-
Closing balance	255,425,663	252,127,234	248,420,079	245,291,243

The amounts disclosed above are exclusive of VAT.

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

52. 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	1,222,758	8,763,329	8,763,329
Three written quotations not invited	None	29,826	-	29,826
Overspending on contracts	none	-	78,000	78,000
Non-compliance with SCM policy	none	2,986,630	4,219,276	4,219,276
Not advertised for required time	none	85,261	-	85,261
Non Compliance with Municipal cost containment regulations		2,989,696	-	2,989,696
		7,314,171	13,060,605	7,144,578
				13,060,605

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	798,709	862,500	798,709	862,500
Amount paid - current year	(798,709)	(862,500)	(798,709)	(862,500)
	-	-	-	-

Audit fees

Opening balance	296,504	462,693	296,504	462,693
Current year subscription / fee	5,594,210	4,778,257	5,137,060	4,335,840
Amount paid - current year	(5,883,413)	(4,944,446)	(5,426,263)	(4,502,029)
	7,301	296,504	7,301	296,504

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

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

PAYE and UIF

Opening balance	225,990	(337,817)	225,990	(337,817)
Current year subscription / fee	17,374,587	16,868,698	17,374,587	16,868,698
Amount paid - current year	(17,600,577)	(16,304,891)	(17,600,577)	(16,304,891)
	-	225,990	-	225,990

Pension and Medical Aid Deductions

Opening balance	-	910,126	-	910,126
Current year subscription / fee	12,145,680	12,974,950	12,145,680	12,974,950
Amount paid - current year	(12,145,680)	(13,885,076)	(12,145,680)	(13,885,076)
	-	-	-	-

VAT

VAT receivable	2,533,166	1,891,025	2,497,319	1,863,386
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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 Councillors had arrear accounts outstanding for more than 90 days at June 30, 2022:

June 30, 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. S.L. Ntlatywa	2,388	-	2,388
June 30, 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. S.L. Ntlatywa	2,745	2,305	5,050

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

54. 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 consolidated annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations

Deviations for the period up to 30 June 2022.

The amount for deviations as at 30 June 2022 is R2 574 285 (2021: R2 319 927)

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				
Impossible to get 3 quotes	-	974,850	-	963,695
Emergency	57,500	-	57,500	-
Exceptional cases	2,466,857	1,265,593	2,466,857	1,265,593
Sole Supplier	49,928	90,639	49,928	90,639
	2,574,285	2,331,082	2,574,285	2,319,927

55. Change in estimate**Property, plant and equipment**

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

The depreciation methods and average useful lives and residual values of property, plant and equipment have been assessed and based on this analysis, the useful lives and residual values have been revised. The impact of the change is a reduction in the annual depreciation charge for the current year of R2 733 746 (2021: 424 448). It is not practical to provide an estimate for future years.

The average useful lives changed as tabulated below :

Category	Current period average useful lives	Prior period average useful lives	Current period average useful lives	Prior period average useful lives
Buildings	30 years	30 years	30 years	30 years
Community assets	30 years	30 years	30 years	30 years
Furniture and office equipment	7 -12 years	7 -12 years	7 -12 years	7 - 12 years
Computer equipment	3 years	3 years	3 years	3 years
Infrastructure	15 -50 years	15 -50 years	15 -50 years	15 -50 years
Plant and Machinery	2 - 20 years	2 - 20 years	2 - 20 years	2 - 20 years
Transport assets	5 - 10 years	5 - 10 years	5 - 10 years	5 - 10 years
	92	92		

56. Segment information**General information**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

56. Segment information (continued)

Identification of segments

The economic entity is organised and reports council on the basis of seven (7) major functional areas: community services, corporate services, executive council, financial services, infrastructural 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 economic entity 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.

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
Community Services	Removal and disposal of waste, traffic safety, municipal bylaws and security. Provision of libraries, pounds, public parks and cemeteries.
Corporate Services	Provision of human resource management and administration and information technology support services. The provision of secretarial support to council.
Executive Council	The council is responsible for governing the local area, provision of service delivery of municipal services to local residents and provision of political oversight to administration.
Financial Services	Ensures proper management of municipal finances to improve financial viability, revenue, budget control, expenditure, and free basic services. It also administers supply chain, fleet and asset management services.
Infrastructural 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.
Municipal Manager	Responsible for monitoring and functioning of overall administration, drafting of IDP of performance management system and implementation as well as ensuring internal audit function, risk management systems and provision of legal advice to the council.

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand

56. Segment information (continued) Segment surplus or deficit, assets and liabilities Economic entity - 2022

	Community Services	Corporate services	Executive council	Financial Services	Infrastructure engineering	Local economic development	Municipal Manager	Total
Revenue								
Revenue from non-exchange transactions	18,974,888	18,163,889	54,491,666	30,643,184	87,628,640	22,523,987	22,828,887	255,255,141
Revenue from exchange transactions	1,378,023	-	-	15,072,437	-	-	-	16,450,460
Total segment revenue	20,352,911	18,163,889	54,491,666	45,715,621	87,628,640	22,523,987	22,828,887	271,705,601
Entity's revenue								271,705,601
Expenditure								
Remuneration of councillors	-	-	(13,717,154)	-	-	-	-	(13,717,154)
Employee related costs	(30,484,925)	(18,322,031)	(3,256,811)	(9,228,563)	(16,149,781)	(3,112,210)	(10,653,914)	(91,208,235)
Impairment loss	-	-	-	(12,872,528)	-	-	-	(12,872,528)
Finance Cost	-	-	-	(1,762,218)	-	-	-	(1,762,218)
Debt Impairment	-	-	-	(5,194,280)	-	-	-	(5,194,280)
Transfers and Subsidies	-	-	-	-	-	(9,611,994)	-	(9,611,994)
Loss on disposal of assets and liabilities	-	-	-	(9,220,620)	-	-	-	(9,220,620)
Inventories losses/ write -downs	-	-	-	(1,475,117)	-	-	-	(1,475,117)
Contracted services	(294,353)	(245,685)	-	(2,951,055)	(84,000)	-	(6,490,769)	(10,065,862)
General expenses	(4,575,663)	(11,336,979)	(12,703,537)	(25,141,051)	(7,822,973)	(7,385,249)	(8,249,032)	(77,214,484)
Depreciation	(2,105,166)	(767,830)	(793,785)	(661,256)	(51,368,959)	(105,874)	(208,948)	(56,011,818)
Lease rentals on operating lease	19,639	(118,820)	(221,698)	-	(129,309)	(100,438)	(126,168)	(676,794)
Total segment expenditure	(37,440,468)	(30,791,345)	(30,692,985)	(68,506,688)	(75,555,022)	(20,315,765)	(25,728,831)	(289,031,104)
Total segmental surplus/(deficit)								(17,325,503)
Assets								
Segment assets	-	-	28,956,911	665,007,508	-	-	-	693,964,419
Total assets as per Statement of financial Position								693,964,419

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand

56. Segment information (continued)

Liabilities	Community Services	Corporate services	Executive council	Financial Services	Infrastructure engineering	Local economic development	Municipal Manager	Total
Segment liabilities	(4,400)	-	11,540,614	55,308,472	(143,781,870)	-	-	(76,937,184)
Total liabilities as per Statement of financial Position								(76,937,184)

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

Economic entity - 2021

Revenue	Community Services	Corporate services	Executive council	Financial Services	Infrastructure engineering	Local economic development	Municipal Manager	Total
Revenue from non-exchange transactions	14,505,197	7,472,491	26,380,704	69,268,430	163,607,286	10,567,230	11,636,841	303,438,179
Revenue from exchange transactions	1,052,135	-	-	1,488,061	-	-	-	2,540,196
Interest revenue	-	-	-	10,692,719	-	-	-	10,692,719
Total segment revenue	15,557,332	7,472,491	26,380,704	81,449,210	163,607,286	10,567,230	11,636,841	316,671,094
Entity's revenue								316,671,094

Notes to the Consolidated Annual Financial Statements

Figures in Rand

56. Segment information (continued)

Expenditure														
Employee related costs	(31,214,694)	(14,137,911)	(4,239,079)	(9,089,647)	(17,562,788)	(3,844,149)	(7,326,378)	(87,414,646)						
Remuneration of councillors	-	-	(13,089,325)	-	-	-	-	(13,089,325)						
Depreciation and amortisation	(1,629,437)	(774,616)	(1,008,150)	(1,168,611)	(51,325,996)	(77,761)	(102,094)	(56,086,665)						
Impairment loss	-	-	-	(15,370,364)	-	-	-	(15,370,364)						
Finance costs	-	-	-	(1,097,989)	-	-	-	(1,097,989)						
Lease rentals on operating lease	(127,339)	(380,172)	(113,172)	-	(19,896)	(19,896)	(40,652)	(701,127)						
Debt Impairment	-	-	-	(9,952,447)	-	-	-	(9,952,447)						
Contracted Services	(85,816)	(507,092)	-	(4,507,188)	(419,560)	-	(1,824,533)	(7,344,189)						
Transfers and subsidies	-	-	-	-	-	(9,338,833)	-	(9,338,833)						
loss on disposal of assets and liabilities	-	-	-	-	-	-	-	(11,562,616)						
Actuarial losses	-	-	-	(11,562,616)	-	-	-	(184,602)						
Inventories losses/ write-downs	-	-	-	(184,602)	-	-	-	(102,360)						
General Expenses	(4,335,690)	(6,501,964)	(9,497,240)	(12,351,110)	(10,296,247)	(599,647)	(9,427,920)	(53,009,818)						
Total segment expenditure	(37,392,976)	(22,301,755)	(27,946,966)	(65,386,934)	(79,624,487)	(13,880,286)	(18,721,577)	(265,254,981)						
Total segmental surplus/(deficit)								51,416,113						

Assets

Segment assets	18,589,627	19,830,459	57,655,675	2,271,387	612,264,611	856,383	646,437	712,114,579
Total assets as per Statement of financial Position								712,114,579

Liabilities

Segment liabilities	(685,032)	(37,192,889)	(61,000)	(4,333,000)	(16,464,745)	(2,565,214)	(16,459,957)	(77,761,837)
Total liabilities as per Statement of financial Position								(77,761,837)

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

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

Information about geographical areas

The economic entity's operations are in the Port St Johns area of the Eastern Cape Province.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

57. Prior Period Error**Statement of financial position 2020**

	As previously reported	Correction of error	Restated
Property Plant and Equipment (A1)	473,435,101	466,895	473,901,996
Operating lease liability - Non-Current liabilities (A2)	(2,442,273)	437,123	(2,005,150)
Accumulated surplus (A6)	(582,032,522)	(904,018)	(582,936,540)
	(111,039,694)	-	(111,039,694)

Statement of financial position 2021

	As previously reported	Correction of error	Re-classification	Restated
Property Plant and Equipment (A1)	482,345,102	8,437,952	-	490,783,054
Inventory (A3)	68,141,109	(6,353,137)	-	61,787,972
Payables from exchange transactions (A7)	(37,607,016)	(2,251,633)	-	(39,858,649)
Unspent conditional grants (A7)	(18,716,379)	2,251,633	-	(16,464,746)
Operating lease liability - Current liabilities (A4)	-	(1,616,876)	-	(1,616,876)
Operating lease liability - Non-Current liabilities (A4)	(2,565,214)	210,609	-	(2,354,605)
Accumulated surplus (A6)	(633,674,195)	(678,548)	-	(634,352,743)
	(142,076,593)	-	-	(142,076,593)

Statement of financial performance 2021

	As previously reported	Correction of error	Total
(Deficit) surplus for the year (A6)	51,641,671	(225,557)	51,416,114

A1 - Being adjustment to PPE which were previously not capitalised as well as assets donated but not derecognised

A2 - Being adjustment to Operating lease liability as it was not aligned to schedule

A3 - Being adjustment to Operating lease liability to account for current liability.

A4 - Being adjustment to the operating lease liability to align to schedule.

A5 - Being adjustment to surplus for the year under depreciation adjustments on assets capitalised.

A6 - Being adjustment to accumulated surplus due to effects of the above adjustments.

A7 - Being adjustment to an amount previously disclosed as unspent conditional grants but is in fact a payable from exchange.

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	13,026,596	5,124,285	13,026,596	5,124,285
Traffic fines	537,867	152,792	537,867	152,792
Other Receivables	13,564,463	5,277,077	13,564,463	5,277,077
VAT receivables	416,654	1,982,857	416,654	1,982,857
	13,981,117	7,259,934	13,981,117	7,259,934