

GERT SIBANDE DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2022



GERT SIBANDE DISTRICT MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2022

Audited
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2022 -11- 30
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Mpumalanga Business Unit

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

General Information

Legal form of entity	District Municipality
Nature of business and principal activities	A Category C Municipality established in terms of the Structures Act 117 of 1998 which execute some of the functions of Local Government (DC30) and Section 155(c) of the Constitution of the Republic of South Africa, 1996.
Speaker	Sekhonde BG
Executive Mayor	Chirwa MG (Till November 2021) Mngomezulu MW (From November 2021)
Chief Whip	Nkosi SGT
Grading of local authority	3
Accounting Officer	Habile CA
Chief Finance Officer (CFO)	Buthelezi ZR
Registered office	Cnr Joubert & Oosthuise Street Ermelo Mpumalanga 2351
Business address	Cnr Joubert & Oosthuise Street Ermelo Mpumalanga 2351
Postal address	PO Box 1748 Ermelo Mpumalanga 2350
Bankers	First National Bank
Auditor	Auditor General of South Africa (AGSA)
Attorneys	Panel attorneys
Contact Details	Telephone: +27 (17) 8 01 7000 Fax: +27 (17) 811 1207 E-mail: Records@gsibande.gov.za
Audit Committee Members	Lankalebalele L Rasalanavho T Thenga O Simelane S
Income Tax status	Exempt for Income Tax in terms of section 10(1)(a) as part of the Local Government sphere of government of the Republic of South Africa



GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

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

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Abbreviation	Description
COCTA	Mpumalanga Provincial Department of Co-operative Governance and Traditional Affairs
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officer
DWA	Department of Water and Sanitation
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
GSDM	Gert Sibande District Municipality
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MPAC	Municipal Public Accounts Committee
MEC	Member of the Executive Council
SALGA	South African Local Government Association
DORA	Division of Revenue Act

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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 unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited 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 unaudited annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

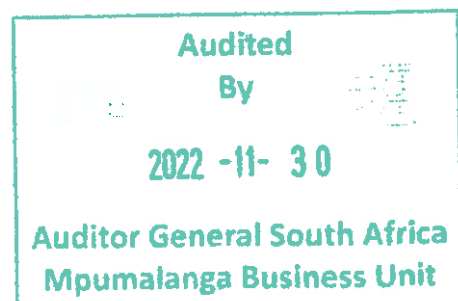
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable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

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's members of the Audit Committee and Executive Mayor.

The unaudited annual financial statements have been prepared on the going concern basis, in terms of Section 126(1) of the MFMA and which I have signed on behalf of GSDM on 31 August 2022 :

Habile CA
Municipal Manager



GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	255,950,957	186,830,217
Inventories	3	1,256,758	1,081,857
Prepayments	4	2,130,182	2,004,439
Receivables from exchange transactions	5	14,946,112	15,715,885
Receivables from non-exchange transactions	6	64,644	64,644
VAT receivable	7	-	7,357,499
		274,348,653	213,054,541
Non-Current Assets			
Heritage assets	8	159,250	159,250
Intangible assets	9	2,955,014	1,077,554
Investment property	10	22,300,689	-
Property, plant and equipment	11	274,545,711	295,974,585
Receivables from non-exchange transactions	6	806,714	1,103,705
		300,767,378	298,315,094
Total Assets		575,116,031	511,369,635
Liabilities			
Current Liabilities			
Consumer deposits	12	60,750	52,798
Finance lease obligation	13	1,044,391	839,442
Long Service Provision	14	2,127,000	797,000
Payables from exchange transactions	15	116,879,884	98,209,514
Provisions for bonus	16	5,272,537	4,473,248
Payables from non-exchange transactions	17	42,603	12,516,435
Post retirement benefit obligation	18	101,000	96,000
Unspent conditional grants and receipts	19	-	685
VAT payable	20	32,375,144	-
		157,903,309	116,985,122
Non-Current Liabilities			
Post retirement benefit obligation	18	759,000	783,000
Long Service Provision	14	11,372,000	10,718,000
Finance lease obligation	13	702,026	1,746,417
		12,833,026	13,247,417
Total Liabilities		170,736,335	130,232,539
Net Assets		404,379,696	381,137,096
Accumulated surplus		404,379,698	381,137,098
Total Net Assets		404,379,698	381,137,098

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GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	87,948	110,091
Rendering of services		1,163,368	471,050
Other income	22	10,634,845	10,445,405
Interest received - investment	21	11,910,104	10,357,131
Gain on disposals of assets and liabilities		-	646,593
Total revenue from exchange transactions		23,796,265	22,030,270
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	24	329,025,000	319,799,000
Revenue in-kind		22,300,689	-
Total revenue from non-exchange transactions		351,325,689	319,799,000
Total revenue		375,121,954	341,829,270
Expenditure			
Employee related costs	26	(189,529,623)	(190,014,509)
Remuneration of councillors	31	(13,340,169)	(13,595,538)
Depreciation and amortisation	25	(24,094,733)	(23,376,441)
Reversal of impairments	28	-	(46,528)
Finance costs	27	(1,367,184)	(1,064,258)
Lease	29	(106,800)	(217,800)
Bad debts written off		-	(460,870)
Transfers and Subsidies	32	(46,796,512)	(54,779,971)
Loss on disposal of assets and liabilities		(319,343)	-
Operating costs	30	(76,324,992)	(69,615,321)
Total expenditure		(351,879,356)	(353,171,236)
Surplus (deficit) for the year		23,242,598	(11,341,966)

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	391,128,653	391,128,653
Adjustments		
Correction of errors	1,350,410	1,350,410
Balance at 01 July 2020 as restated*	392,479,063	392,479,063
Changes in net assets		
Surplus for the year	(11,341,965)	(11,341,965)
Total changes	(11,341,965)	(11,341,965)
Restated* Balance at 01 July 2021	381,137,100	381,137,100
Changes in net assets		
Surplus for the year	23,242,598	23,242,598
Total changes	23,242,598	23,242,598
Balance at 30 June 2022	404,379,698	404,379,698

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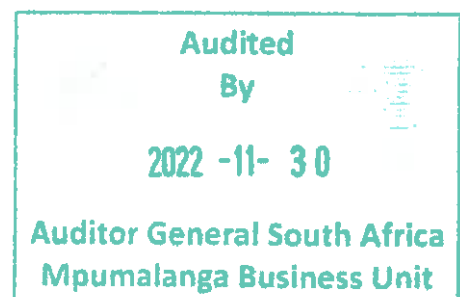
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GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1,154,731	(13,926,393)
Grants received		329,025,000	319,730,217
Interest Income		11,910,104	10,357,131
Other receipts		11,805,479	10,922,518
		353,895,314	327,083,473
Payments			
Employee costs		(201,239,503)	(202,264,209)
Suppliers		(30,803,255)	(27,212,984)
Finance costs		-	-
Other cash item		(46,796,512)	(54,779,972)
		(278,839,270)	(284,257,165)
Net cash flows from operating activities	35	75,056,044	42,826,308
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(3,523,180)	(13,726,939)
Proceeds from sale of property, plant and equipment	11	727,066	1,181,250
Purchase of other intangible assets	9	(2,066,550)	(999,898)
Proceeds from sale of other intangible assets	9	-	167
Net cash flows from investing activities		(4,862,664)	(13,545,420)
Cash flows from financing activities			
Finance lease payments		(1,072,625)	2,409,190
Net increase/(decrease) in cash and cash equivalents		69,120,755	31,690,078
Cash and cash equivalents at the beginning of the year		186,830,217	155,140,132
Cash and cash equivalents at the end of the year	2	255,950,972	186,830,210



GERT SIBANDE DISTRICT MUNICIPALITY

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	124,800	-	124,800	87,948	(36,852)	43(1)
Rendering of services	490,760	-	490,760	1,163,367	672,607	43(2)
Other income	9,947,030	3,929,030	13,876,060	10,634,845	(3,241,215)	43(3)
Interest received - investment	10,542,280	-	10,542,280	11,910,104	1,367,824	43(4)
Total revenue from exchange transactions	21,104,870	3,929,030	25,033,900	23,796,264	(1,237,636)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	329,025,000	-	329,025,000	329,025,000	-	
Revenue in kind	-	-	-	22,300,689	22,300,689	43(5)
Total revenue from non-exchange transactions	329,025,000	-	329,025,000	351,325,689	22,300,689	
Total revenue	350,129,870	3,929,030	354,058,900	375,121,953	21,063,053	
Expenditure						
Personnel	(208,770,242)	5,975,050	(202,795,192)	(189,529,623)	13,265,569	43(11)
Remuneration of councillors	(16,794,520)	-	(16,794,520)	(13,340,169)	3,454,351	43(6)
Depreciation and amortisation	(24,561,560)	-	(24,561,560)	(24,094,733)	466,827	
Finance costs	(670,800)	-	(670,800)	(1,367,184)	(696,384)	43(7)
Lease rentals on operating lease	(208,000)	-	(208,000)	(106,800)	101,200	
Transfers and Subsidies	(48,516,025)	(3,169,020)	(51,685,045)	(46,796,512)	4,888,533	43(9)
Loss on disposal of assets	-	-	-	(319,343)	(319,343)	43(8)
General Expenses	(79,870,415)	(2,316,030)	(82,186,445)	(76,324,992)	5,861,453	43(10)
Total expenditure	(379,391,562)	490,000	(378,901,562)	(351,879,356)	27,022,206	
Surplus before taxation	(29,261,692)	4,419,030	(24,842,662)	23,242,597	48,085,259	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(29,261,692)	4,419,030	(24,842,662)	23,242,597	48,085,259	

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

Figures in Rand	Note(s)	2022	2021
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1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

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.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Post-retirement benefits and long service awards

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

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

Other key assumptions for medical aid obligations are based on current market conditions. Additional information is disclosed in Note 18.

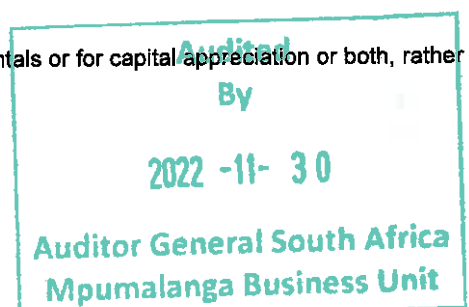
1.3 Cash and cash equivalents

Cash and cash equivalents are measured at their amortised cost.

1.4 Investment property

Investment property is property (land, building and infrastructure) 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.



GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Investment property (continued)

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

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

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

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

Fair value

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

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

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

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

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

Derecognition

Investment property is 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.

1.5 Property, plant and equipment

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

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

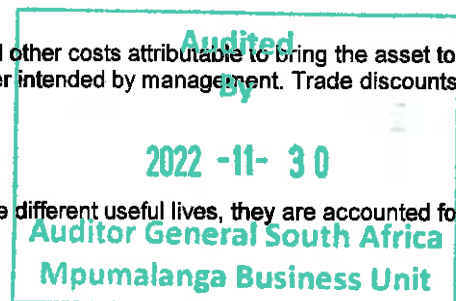
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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.

Donated assets are initially measured at fairvalue on the date of transfer.

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.



GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	indefinite
Buildings		
- Office buildings	Straight-line	30
- Laboratories	Straight-line	30
- Disaster centres	Straight-line	30
Plant and equipment	Straight-line	5
Furniture and fixtures		
- Office furniture	Straight-line	7
- Elevator system	Straight-line	20
- Transformer	Straight-line	50
- Solar panels	Straight-line	7
Office equipment	Straight-line	7
IT Equipment	Straight-line	5
Motor vehicles		
- Motor vehicles	Straight-line	7
- Construction vehicles	Straight-line	10
Communication equipment	Straight-line	2
Laboratory equipment	Straight-line	7
Park facilities		
- Public parking	Straight-line	30
- Carports / garages / shelters	Straight-line	15
Leased copiers	Straight-line	3
Specialised vehicles		
- Emergency vehicles	Straight-line	12

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

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.

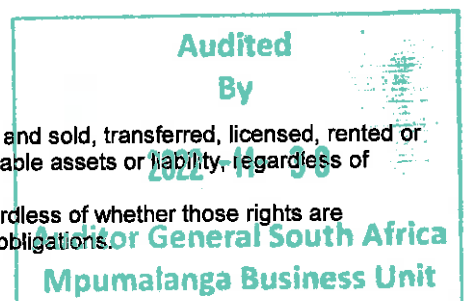
The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 30).

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

1.6 Intangible assets

An asset is identifiable if it either:

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



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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Intangible assets (continued)

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

An intangible asset is recognised when:

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

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

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.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

Intangible assets are derecognised:

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

1.7 Heritage assets

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

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

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

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 generation

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.

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Accounting Policies

1.7 Heritage assets (continued)

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

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

The municipality discloses relevant information relating to heritage assets, in the notes to the financial statements (see note 8).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

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

Transfers

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

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

Derecognition

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

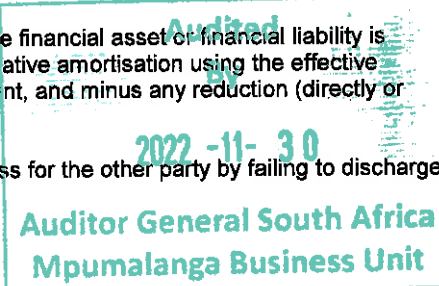
The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial Instruments

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

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

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.



GERT SIBANDE DISTRICT MUNICIPALITY

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Accounting Policies

1.8 Financial Instruments (continued)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position

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 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.

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.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset..

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other 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 risk 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.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.8 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;



GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.8 Financial instruments (continued)

- **instruments held for trading.** A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

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

Initial measurement of financial assets and liabilities

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity 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.

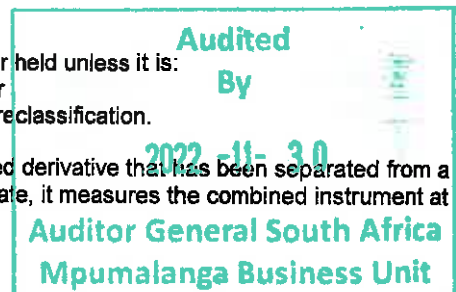
The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at



GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.8 Financial Instruments (continued)

fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

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 entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, 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 additional restrictions on the transfer. In this case, the entity :
 - 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

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.8 Financial Instruments (continued)

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.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liability at fair value.

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.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liability

The entity 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 entity 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.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax (where applicable) relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.8 Financial instruments (continued)

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.10 Inventories

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

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

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

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

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

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

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

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

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.11 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.

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

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

Useful life is either:

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

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

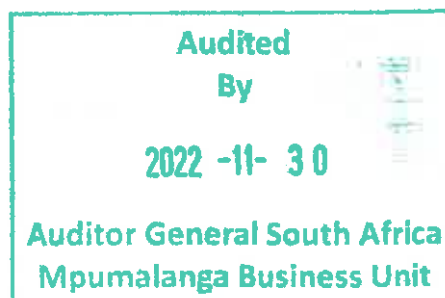
This is based on the units ability to generate cashh independently. Currently at the municipality there is no cash generating units.

Identification

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

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

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



GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

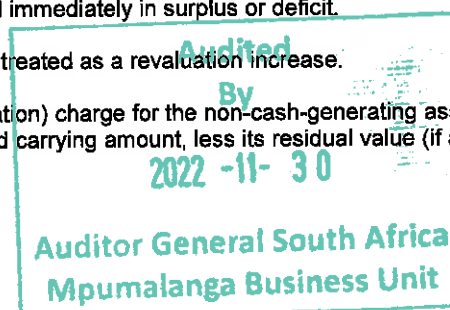
The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that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

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

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

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

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



GERT SIBANDE DISTRICT MUNICIPALITY

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Accounting Policies

1.12 Study bursary assets

The municipality awards some bursaries to its staff member to further their education. The conditions of these bursaries are that the employees must pass their subjects and upon completion of the further qualification they are expected work back the period spent to complete these studies. These are classified as receivable from non-exchange transaction as the employees are expected to repay back the bursary if the conditions are not met

Initial recognition and measurement

The study bursary are initially recognised in books of the municipality at the cost paid to the academic institution that the employee enrolled with as receivable from non-exchange transaction.

Subsequent measurement

After initial recognition the study bursary related receivables are carried at amortised cost. These study bursaries are a subject to an impairment review.

Derecognition

The receivable from non-exchange transaction relating to study bursary is derecognised should an employee meet the conditions as per the contract that they worked back the period of study and achieved the academic achievement. In this case therefore this transaction is then expensed in the statement of financial performance.

1.13 Employee benefits

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

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

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

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

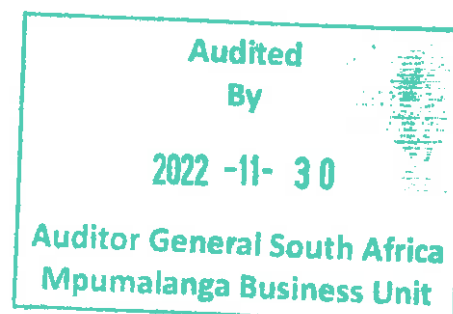
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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.



GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.13 Employee benefits (continued)

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.

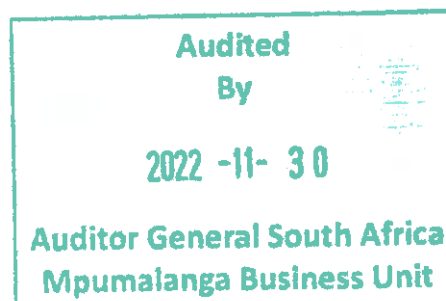
The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount 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.

Post-employment benefits

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

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



GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

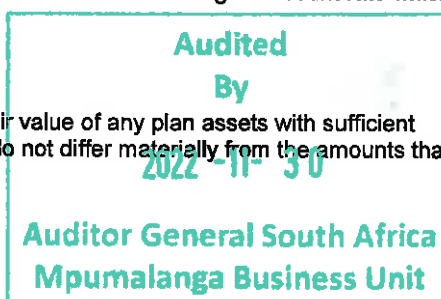
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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



GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.13 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

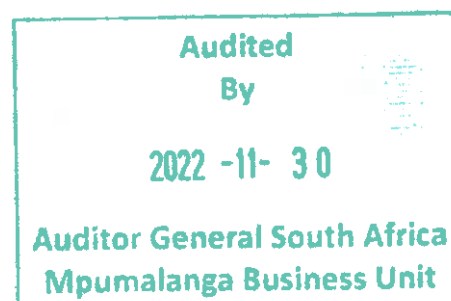
The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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



GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

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

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

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



GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.13 Employee benefits (continued)

Termination benefits

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

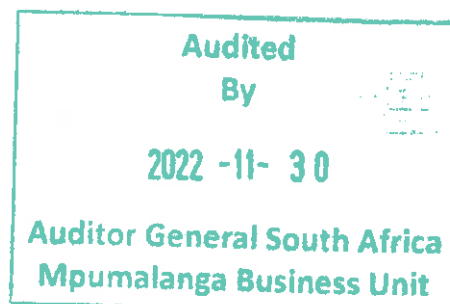
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

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:

- 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.



GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37. By

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Mpumalanga Business Unit**

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.15 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.

1.16 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.

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.

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 in surplus or deficit, using the effective interest rate method

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

1.17 Revenue from non-exchange transactions

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

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

Control of an asset arises 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.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

Recognition

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

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

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.

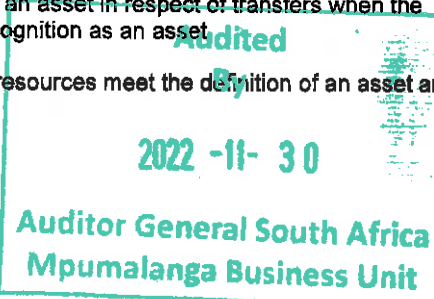
Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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.



GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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.

1.18 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.18 Accounting by principals and agents (continued)

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

1.19 Comparative figures

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

1.20 Budget Information

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

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

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

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

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

1.21 Related parties

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

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

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

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

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

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

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

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

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

1.22 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

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GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.22 Events after reporting date (continued)

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

1.23 Offsetting

Assets, Liabilities, revenue and expenses have not been offsetted when offsetting is required or permitted by a standard of GRAP.

1.24 Value added tax

The municipality is registered with the South African Revenue Services as a VAT vendor in accordance with section 15(2) of the Value Added Tax Act (Act no 89 of 1991)

The Municipality accounts for Value Added Tax on the payment basis as per the Value Added Tax Act.



GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
2. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	8,100	8,100
Bank balances	255,942,857	186,816,796
Other cash and cash equivalents - Solidarity Fund	-	5,323
	255,950,957	186,830,219

The only additional account that was opened in 2020 was the Solidarity current account that was mainly utilised for COVID-19 related activities which was closed in November 2021.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
FNB BANK - Current Account - 626-3839-6334	8,225,017	10,946,975	9,734,812	255,942,857	186,824,896	154,896,387
FNB BANK - Call Account - 626-1377-7848	247,719,523	175,869,821	145,134,801	-	-	-
FNB BANK (Solidarity Fund) - Current Account - 628-5650-7755	-	5,323	235,646	-	5,323	235,646
Total	255,944,540	186,822,119	155,105,259	255,942,857	186,830,219	155,132,033

3. Inventories

Inventory stores	1,256,758	1,081,857
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Inventory pledged as security

No inventory was pledged as security.

No inventory was written down during the financial period.

Inventory relates to consumables utilise for operational purposes.

4. Prepayments

Debtor	-	-
SALGA	2,130,182	2,004,439
	(2,130,182)	(2,004,439)

A SALGA prepayment - The municipality made use of incentives provided from SALGA for early payments of fees. This incentives could only be utilised if payment was made before 30 June 2022.

5. Receivables from exchange transactions

Trade debtors	238,325	5,930,397
Deposits	28,200	28,200
Receivables from chief albert luthuli municipality	1,500,000	
Insurance debtor	721,703	
Receivables from Govan mbeki local municipality	5,921,703	
DWS Receivable	6,536,182	9,757,287
	2022 14,946,113	15,715,884

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

5. Receivables from exchange transactions (continued)

Credit quality of receivables from exchange transactions

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates: Majority of these receivables are off good quality and has subsequently paid of some of their debts. The Department of Water and Sanitation honour invoices within 30 days after submitting to them.

Trade and other receivables past due but not impaired

Trade and other receivables which are more than 3 months past due are not considered to be impaired. At 30 June 2022, R577,771 (2021: R595,910) were past due but not impaired.

6. Receivables from non-exchange transactions

Other receivables from non-exchange transactions	871,358	1,168,349
Non-current assets	806,714	1,103,705
Current assets	64,644	64,644
	871,358	1,168,349

Non current assets relates to study bursaries awarded to employees on condition that the employees render services to the employer to offset against the outstanding amount and if the courses are not passed the amount are recouped for the officials.

The amount for current assets relates to overpayments of employees and the legal process to recouped the amount are in process.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past not due nor impaired can be assessed by reference to historical information about counterparty default rates: Majority of these receivables are of good quality.

Study bursaries are managed through contract arrangements

Receivables from non-exchange transactions past due but not impaired

Trade and other receivables which are more than 3 months past due are not considered to be impaired. At 30 June 2022, R871,358 (2021: R1,168,349) were past due but not impaired.

7. VAT receivable

VAT 7,357,499



GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

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8. Heritage assets

	2022		2021	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
Mayoral Chain and portraits	159,250	-	159,250	159,250
				Accumulated impairment losses
				Carrying value
				159,250

Reconciliation of heritage assets 2022

Mayoral chain and portraits	Opening balance	Total
	159,250	159,250

Reconciliation of heritage assets 2021

Mayoral chain and portraits	Opening balance	Total
	159,250	159,250

Pledged as security

There is no heritage assets pledged as security.

No repairs and maintenance was required for the heritage asset refer to note 30

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9. Intangible assets

	2022		2021	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Cost / Valuation	Accumulated amortisation and accumulated impairment
Computer software, other	3,786,292	(831,278)	1,719,742	(642,188)
		2,955,014		1,077,554
				1,077,554

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	1,077,554	2,066,550	(189,090)	(189,090)	2,955,014

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	100,772	999,898	(167)	(22,950)	1,077,554



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2021

9. Intangible assets (continued)

Pledged as security

There are no intangible assets pledged as security:

Automated road defect detection software

During the 2020/2021 financial year, developments for a Automated Road Defect Detection Software were undertaken whereby R999 898 was classified as Work-in-Progress. An additional R300 300 was spent during 2021/2022 to complete this software which was completed and commissioned in the month of December 2021.

Spatial data analysis artificial intelligence solution

A total amount of R1 766 250 was spent on the development of this software during the 2021/2022 financial year. This asset was only available for use during the last month (June) of the financial year.

Intangible assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of intangible assets

Computer software, other

(999,898)

999,898

The R999 898 is in relation to the development of a Automated Road Defect Detection Software which is classified as Work-in-Progress for 2020/2021 financial year



GERT SIBANDE DISTRICT MUNICIPALITY

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10. Investment property

	Fair Value	Fair Value
Investment property	22,300,689	22,300,689

Reconciliation of investment property - 2022

Investment property	Opening balance	Transfers received	Total
	-	22,300,689	22,300,689

Fair value of investment properties

22,300,689

-


Additional information

During the current financial period the District has received a donation of the district Airport from Msukaligwa Local Municipality. The airport has been classified as investment property in the book of the District. This has also been included in the statement of financial performance under revenue in-kind. Please refer to the financial performance. A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at registered office of the municipality.

No rental income was received during the financial period.

Details of property

The property is situated in Ermelo

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2022

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10. Investment property (continued)

Details of valuation

The valuations were performed by an independent valuer, Ockert Brits a registered Professional Valuer with registration number 6876, who is not connected to the municipality

The valuations were based on fair market value using the income, comparable sales and the depreciated replacement cost methods

Reconciliation of valuation obtained and the valuation included in the financial statements

Amounts recognised in surplus and deficit for the year.

Maintenance of investment property

No repairs and maintenance was spend on the investment property as it was transferred during the financial period.

Amounts recognised in surplus or deficit

No rental income was received during the financial period

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11. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	360,000	-	360,000	360,000	-	360,000
Buildings	372,957,090	(134,180,619)	238,776,471	372,931,003	(121,176,198)	251,754,805
Plant and machinery	33,603,847	(22,991,801)	10,612,046	32,860,425	(20,040,201)	12,820,224
Furniture and fixtures	12,149,553	(9,464,888)	2,684,665	11,796,244	(8,568,419)	3,227,825
Motor vehicles	35,235,862	(20,403,107)	14,832,755	35,246,356	(17,101,417)	18,144,939
IT equipment	20,179,104	(12,899,330)	7,279,774	19,610,093	(9,943,301)	9,666,792
Total	474,485,456	(199,939,745)	274,545,711	472,804,121	(176,829,536)	295,974,585

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Land	360,000	-	-	-	360,000
Buildings	251,754,805	26,087	-	(13,004,422)	238,776,471
Plant and machinery	12,820,224	781,050	-	(2,989,228)	10,612,046
Furniture and fixtures	3,227,825	353,297	-	(896,455)	2,684,665
Motor vehicles	18,144,939	806,562	(469,956)	(3,648,792)	14,832,755
IT equipment	9,666,792	1,556,184	(576,453)	(3,366,746)	7,279,774
	295,974,585	3,523,180	(1,046,409)	(23,905,643)	274,545,711

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	360,000	-	-	-	-	360,000
Buildings	262,876,151	1,723,156	-	(12,833,002)	-	251,754,805
Plant and machinery	14,431,583	1,526,909	(96,209)	(3,053,557)	-	12,820,224
Furniture and fixtures	3,649,244	548,570	(54,134)	(915,852)	-	3,227,825
Motor vehicles	17,787,465	4,248,564	(289,143)	(3,601,945)	-	18,144,939
IT equipment	7,077,886	5,679,740	(95,171)	(2,949,135)	(46,528)	9,666,792
	306,182,329	13,726,939	(534,657)	(23,353,491)	(46,528)	295,974,565

Pledged as security

There are no assets pledged as security.

Repairs and maintenance cost of R9,669,361 for 2021/2022 financial year (R10,243,390 for 2020/2021) relates to Property, Plant and Equipment refer to note 30

The estimated useful life of assets in certain classes of Property, Plant and Equipment were assessed during the 2022 financial year, refer to note 40

Assets subject to finance lease (Net carrying amount)

IT equipment	1,371,530	2,336,068
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Assets Fully Depreciated

Included in Property, Plant and Equipment are assets which have fully depreciated but still in use. These assets are held at R1 each



GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
12. Consumer deposits		
Rental of facilities	60,750	52,798
13. Finance lease obligation		
Minimum lease payments due		
- within one year	1,179,887	1,072,625
- in second to fifth year inclusive	726,810	1,906,697
	1,906,697	2,979,322
less: future finance charges	(160,280)	(393,464)
Present value of minimum lease payments	1,746,417	2,585,858
Present value of minimum lease payments due		
- within one year	1,044,391	839,441
- in second to fifth year inclusive	702,025	1,746,417
	1,746,416	2,585,858
Non-current liabilities	702,026	1,746,417
Current liabilities	1,044,391	839,442
	1,746,417	2,585,859

Gert Sibande District Municipality leases certain computer equipment under finance leases

The average lease term was 2-3 years and the average effective borrowing rate was 10.5% (2021: 10.5%).

Interest rates are fixed at the contract date. All leases escalate at 10% p.a and no arrangements have been entered into for contingent rent.

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

No defaults or breaches in 2021/2022 financial year

14. Long service provision

Carrying value		
Balance at 1 July	11,515,000	9,652,000
Current service cost	1,556,000	1,360,000
Interest	1,060,000	875,000
Benefits vesting	(1,024,026)	(1,049,263)
Actuarial loss/(gain)	392,026	677,263
	13,499,000	11,515,000
Non-current liabilities		
At amortised cost	11,372,000	10,718,000
Current liabilities		
At amortised cost	2,127,000	797,000

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14. Long service provision (continued)

Financial liabilities at fair value

Fair values of financial liabilities measured or disclosed at fair value

Long service provision

The Municipality offers employees long service awards for every five years of service completed, from 5 years of service to 45 years of service, inclusive. The employee is granted long service award in the month that each completed milestone is reached. Working days awarded are valued at 1/250th of annual earnings per day.

In estimating the unfunded liability for the long service award of the municipality, a number of actuarial assumptions are required. In calculating the unfunded liability a number of 306 eligible employees as at 30th June 2022 were used.

The following key financial assumptions are used:

Key financial assumption	Value p.a
Discount rate	11.12%
General earnings inflation rate (long-term)	7.30%
Net effective discount rate	3.56%

The liability at the valuation date was recalculated to show the effect of:

- a one percentage point increase and decrease in the assumed general earnings inflation rate;
- a one percentage point increase and decrease in the discount rate;
- a two-year increase and decrease in the assumed average retirement age of eligible employees; and
- a two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

Sensitivity Analysis on the unfunded accrued liability:

Assumptions	Charge	Liability	% Change
Central assumptions		13,499,000	
General earnings inflation rate	+1%	14,318,000	6%
	-1%	12,755,000	-6%
Discount rate	+1%	12,730,000	-6%
	-1%	14,359,000	6%
Average retirement age	+2yrs	14,378,000	7%
	-2yrs	12,361,000	-8%
Withdrawal rate	X2	10,747,000	-20%
	X0.5	15,416,000	14%

Sensitivity analysis on current service and interest costs for the year ending 30 June 2022:

Assumptions	Change	Current service cost	Interest costs	Total	% Change
Central assumptions		1,556,000	1,060,000	2,616,000	
General earnings inflation rate	+1%	1,679,000	1,134,000	2,813,000	8%
	-1%	1,447,000	994,000	2,441,000	-7%
Discount rate	+1%	1,457,000	1,096,000	2,553,000	-2%
	-1%	1,669,000	1,018,000	2,687,000	3%
Average retirement age	+2yrs	1,645,000	1,132,000	2,777,000	6%
	-2yrs	1,445,000	966,000	2,411,000	-8%
Withdrawal rate	X2	1,123,000	816,000	1,939,000	-26%
	X0.5	1,878,000	1,232,000	3,110,000	19%

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Figures in Rand	2022	2021
15. Payables from exchange transactions		
Payables	32,076,218	29,633,566
Health inspection payments received in advance	72,288	72,287
Retentions	59,958,552	41,703,889
Staff leave payments	24,311,592	25,992,658
Performance bonuses	-	708,690
Benefit payable to deceased employee	398,791	-
Environmental Health Practitioners payments received in advance	62,443	98,424
	116,879,884	98,209,514

The performance bonuses for 2021 relates to events after reporting date as it was approved and paid during August 2021

16. Provisions for bonus

Reconciliation of provisions for bonus - 2022

	Opening Balance	Additions	Utilised during the year	Total
Provision for staff bonus	3,599,823	3,794,727	(3,599,823)	3,794,727
Provision for performance bonuses	873,425	603,749	-	1,477,810
	4,473,248	4,398,476	(3,599,823)	5,272,537

Reconciliation of provisions for bonus - 2021

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for staff bonus	3,389,718	3,599,823	(3,389,719)	-	3,599,823
Provision for performance bonuses	708,691	873,425	-	(708,690)	873,425
	4,098,409	4,473,248	(3,389,719)	(708,690)	4,473,248

Performance bonuses are paid out to senior management after performance appraisal has been conducted which is then subjected to councils approval. There is uncertainty regarding the amount that will be paid out as the exact percentage is unknown and the payment is also subjected to council's approval.

Provision for staff bonus

Staff bonus to employees is in accordance with the collective bargaining agreement. Provision is made for the full cost of accrued bonuses at reporting date. The provision will be realised as employees bonuses are paid out. Additional relates to full financial impact per department for the period under review.

The staff bonuses relates to the annual bonuses due to the staff, which is payable on their anniversary of their employment period. However, staff members forfeit this annual bonus should they resign before this date. The amounts included in the provision for bonuses is based on the estimates based on the months already worked. All these factors contribute to the uncertainty on the amount of annual bonus that will be paid out.

Provision for performance bonus

Performance bonuses are paid out to senior management after performance appraisal has been conducted which is then subjected to councils approval. There is uncertainty regarding the amount that will be paid out as the exact percentage is unknown and the payment is also subjected to council's approval.

17. Payables from non-exchange

Transfers payable	42,603	12,515,577
Solidarity fund		858
	42,603	12,516,435

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18. Post retirement benefit obligations

Defined benefit plan

Post retirement medical aid plan

The post employment medical aid plan liability is valued on a generally accepted actuarial valuation method. The liability was calculated on a member-by-member basis, taking into account matters arising in respect of principal member and their spouses. Ages were calculated as age as at 30 June 2022.

The Project Unit Credit method was used as prescribed by GRAP 25. The method is based on the approximation that the post-retirement benefit is normally built up over the employee's working life.

The actuarial valuation of PRMA liability involves the following

The projection of future post retirement medical contributions subsidy cashflow, taking into account probabilities of survival withdrawal, ill-health retirement and death in service. The medical contribution subsidies in respect of the audited dependants of employees, increasing the projected subsidy cashflows in line with expected long term contribution escalation. Discounting these cashflows in order to express the post employment medical aid plan liability in the current Rand term.

The amount represents the municipality's liability for post-employment medical aid benefit for the two remaining pensioners under the new defunctional plan. Current employees do not enjoy post-retirement medical aid benefits.

Pension

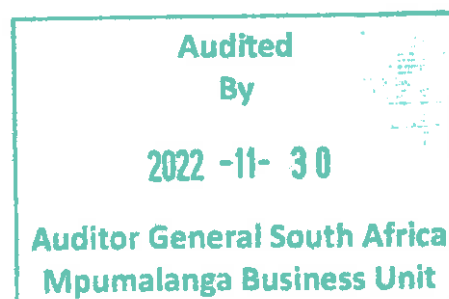
Employees of the municipality belong to the approved pension funds. These are defined contribution plans. The Municipality has no legal or contractual obligation to pay further contributions.

Contributions are recognised as an expense in the statement of financial performance in the year in which they become payable

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

Carrying value		
Balance at 1 July	879,000	828,000
Contributions paid	(99,365)	(95,751)
Interest cost	74,000	68,000
Actuarial (gain) / loss	6,365	78,751
	860,000	879,000
Non-current liabilities	759,000	783,000
Current liabilities	101,000	96,000
	860,000	879,000

For the liability above the municipality do not have separate reserves to cover them, however there is enough cash to cover this liability in future



GERT SIBANDE DISTRICT MUNICIPALITY

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Figures in Rand	2022	2021
22. Other Income		
Agency fees	10,108,637	7,783,908
LG Seta	374,564	207,395
Sundry	131,277	2,444,508
Telephone refunds	20,367	9,594
	10,634,845	10,445,405

Agency fees of R10,108,637 for 2022 (R7,783,908 for 2021) were received from DWS, also refer to the note on accounting for principal and agents note 45

23. Service charges

Sewerage and sanitation charges	87,948	110,091
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GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

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18. Post retirement benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Assumptions	Percentage % 30 June 2021	Percentage % 30 June 2022
Discount rates used	8.89 %	10.74 %
Health care cost inflation rate	6.21 %	7.82 %
Net of-health-care-cost-inflation discount rate	2.52 %	2.71 %
Maximum subsidy inflation rate	4.28 %	5.49 %
Net-of-mazimum-subsidy-inflation discount rate	4.42 %	4.98 %

The liability at the valuation date was recalculated to show the effect of:

- a one percentage point increase and decrease in the assumed rate of health care cost inflation;
- a one percentage increase and decrease in the discount rate; and
- a one-year age increase and decrease in the assumed rates of post - employment mortality.

Sensitivity analysis on the accrued liability (R Millions)

Assumptions	Change	Total	% Change
Central assumptions		0.860	
Health care inflation rate	+1%	0.879	3%
	-1%	0.826	-5%
Discount rate	+1%	0.803	-7%
	-1%	0.925	8%
Post- employment mortality	+1yr	0.825	-4%
	-1yr	0.894	4%

Sensitivity Analysis on interest cost for year ending 30 June 2022:

Assumptions	Change	Interest cost	% Change
Central assumptions		74,000	
Health care inflation rate	+1%	76,000	3%
	-1%	70,000	-5%
Discount rate	+1%	76,000	3%
	-1%	71,000	-4%
Post- employment mortality	-1yr	71,000	-4%
	+1yr	77,000	4%

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts
Road asset management grant (RAMS)

- 685

See note 24 for reconciliation of grants.

20. VAT payable

Tax refunds payables

32,375,144

21. Interest received - investments

Interest revenue

Bank
Interest charged on trade and other receivables (VAT)

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11,910,104	9,117,753
2022 -11- 30	1,239,378
11,910,104	10,357,131

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24. Transfers and subsidies received		
Operating grants		
Equitable share	14,856,000	32,511,411
Revenue replacement grant	294,552,000	270,740,589
Rural road asset management grant (RRAMS)	2,365,000	2,334,000
Infrastructure skills development grant (ISDG)	13,500,000	9,881,000
Finance management grant (FMG)	1,000,000	1,000,000
Expanded public works programme grant (EPWP)	2,752,000	3,332,000
	329,025,000	319,799,000

Equitable Share

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

The amount allocated for Equitable Share in the 2021/2022 financial year as per the Division of Revenue Act (DORA) amount to R14,856,000.

Revenue replacement grant

The purpose of the Revenue replacement grant is to fund basic infrastructure within the areas and funding business administration cost.

The amount allocated for Revenue replacement grant in the 2021/2022 financial year as per the Division of Revenue Act (DORA) amount to R294,552,000.

Infrastructure skills development grant (ISDG)

Current year receipts	13,500,000	9,881,000
Conditions met - transferred to revenue	(13,500,000)	(9,881,000)
	-	-

The purpose of the grant is to strengthen capacity of local government, to effectively and efficiently deliver quality infrastructure, by creating the pool of skill available. Therefore this grant can only be utilised towards paying the stipends to students and any other administration cost relevant to them obtaining the professional qualifications.

Road asset management grant (RAMS)

Balance unspent at beginning of year	685	69,468
Current-year receipts	2,365,000	2,334,000
Conditions met - transferred to revenue	(2,365,685)	(2,333,315)
Other	-	(69,468)
	-	685

The purpose of the grant is to assist rural district municipalities to set up rural roads asset management systems. This grant can be utilised towards gathering the information of the road register in the municipalities within the district.

Finance management grant (FMG)

Balance unspent at beginning of year	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
	-	-

The purpose of the grant is to promote and support reforms in the financial management by building capacity in municipalities to implement the MFMP. The grant can only be utilised towards capacity building programmes within the finance section of the municipality.

Expanded public works programme (EPWP)

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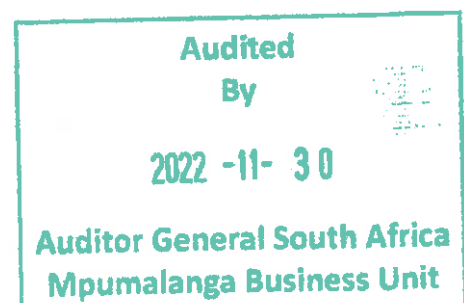
Notes to the Annual Financial Statements

Figures in Rand	2022	2021
24. Transfers and subsidies received (continued)		
Current-year receipts	2,752,000	3,332,000
Conditions met - transferred to revenue	(2,752,000)	(3,332,000)

The purpose of the grant is to incentives provincial department to expand work creation efforts through the use of labour intensive delivery methods in the identified focus area. This grant can only be used towards paying the stipend for the EPWP workers and other programmes aimed at ensuring that there is creation of intensive jobs.

25. Depreciation and amortisation

Property, plant and equipment	22,941,105	22,795,909
Intangible assets	189,090	22,950
Finance lease	964,538	557,582
	24,094,733	23,376,441



GERT SIBANDE DISTRICT MUNICIPALITY

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26. Employee related costs		
Basic	120,488,597	116,796,394
Bonus	11,157,270	10,506,883
Medical aid - company contributions	7,165,884	6,731,217
UIF	676,574	605,555
Leave pay provision charge	1,087,540	8,026,309
Group insurance	2,187,733	2,088,492
Bargaining council	38,203	36,877
Overtime payments	2,827,967	2,939,271
Car allowance	18,709,210	17,752,909
Housing benefits and allowances	1,702,214	1,574,352
Actuarial (gain) / loss	398,391	756,014
Telephone allowance	1,402,054	1,315,158
Pension fund	21,707,986	20,885,078
	189,529,623	190,014,509

Remuneration of municipal manager CA Habile

Annual Remuneration	1,251,833	1,134,333
Car Allowance	240,000	240,000
Performance Bonuses	184,656	-
Contributions to UIF, Medical and Pension Funds	166,024	164,466
	1,842,513	1,538,799

Remuneration of chief finance officer ZR Buthelezi

Annual Remuneration	1,104,109	1,104,109
Car Allowance	120,000	120,000
Performance and annual Bonuses	200,947	50,000
Contributions to UIF, Medical and Pension Funds	2,125	1,785
	1,427,181	1,275,894

Remuneration of general manager planning MJ Mkhonza

Annual Remuneration	801,319	796,812
Car Allowance	96,000	96,000
Performance and annual Bonuses	170,828	60,000
Contributions to UIF, Medical and Pension Funds	173,804	173,492
	1,241,951	1,126,304

Remuneration of general manager corporate service NC Ndlhlovu

Annual Remuneration	314,109	736,327
Car Allowance	90,000	180,000
Performance and annual Bonuses	102,579	50,000
Contributions to UIF, Medical and Pension Funds	80,145	159,948
Leave payment	164,025	-
	750,858	1,126,275

To be noted that Me NC Ndlhlovu resigned in December 2021 and that Mr. MA Barnabas and Mr. SP Msibi was acting in the capacity as General Manager Corporate Services as follows:

Mr. MA Barnabas for January 2022 to March 2022 (See below the remuneration paid).

Mr. SP Msibi for April to May 2022 (See below the remuneration paid).

Me. ME Radebe was appointed as General Manager Corporate Services in June 2022 (See below the remuneration paid).

Remuneration of general manager community and social services ME Michele

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GERT SIBANDE DISTRICT MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
26. Employee related costs (continued)		
Annual Remuneration	811,636	811,636
Car Allowance	100,000	100,000
Performance and annual Bonuses	158,662	70,000
Contributions to UIF, Medical and Pension Funds	144,980	144,639
	1,215,278	1,126,275

Remuneration of general manager technical services ME Thabethe

Annual Remuneration	631,586	833,699
Car Allowance	135,000	180,000
Performance Bonuses	114,431	-
Contributions to UIF, Medical and Pension Funds	111,713	148,610
Leave payment	274,634	-
	1,267,364	1,162,309

Mr. ME Thabethe's contract ended in March 2022 and was appointed on a contract basis to June 2022

Remuneration of acting general manager corporate services MA Barnabas

Acting allowance	30,099	-
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Mr. MA Barnabas acted as General Manager Corporate Services for January 2022 to March 2022

Remuneration of acting general manager corporate services SP Msibi

Acting allowance	15,634	-
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Mr. SP Msibi acted as General Manager Corporate Services for April 2022 to May 2022

Remuneration of general manager corporate service ME Radebe

Annual Remuneration	68,197	-
Car Allowance	9,310	-
Contributions to UIF, Medical and Pension Funds	12,183	-
	89,690	-

Me. ME Radebe was appointed as General Manager Corporate Services from June 2022.

27. Finance costs

Long service awards	1,060,000	875,000
Finance leases	233,184	121,258
Post retirement medical benefit	74,000	68,000
	1,367,184	1,064,258

28. Impairment of assets

Impairments

Property, plant and equipment
During the 2021 financial period two hailing sound systems were impaired due to the public participation vehicle were involved in accidents which resulted in these systems being completely dysfunctional]

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46,528

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GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

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29. Lease		
Lease rentals on operating lease - Other		
Paid during the year	106,800	217,800

The committed expenditure relates to the rental of offices in Evander from Govan Mbeki LM and will be financed by funds internally generated. Contract was renewed on the 1st of July 2021

Govan Mbeki LM

Significant leasing arrangements include:

- that there is no contingent rent payment.
- there is no purchase option in the rental contract and there is provision for 7% escalation per year
- there is no restrictions imposed by lease arrangements, such as return of net surplus, return of capital contributions, dividends or similar distributions, additional debt and further leasing.

Operating lease commitments - as lessee (expenses)

within one year	115,174	-
within two to three years	123,237	-
	238,411	-

30. Operating costs

Advertising	568,271	180,987
Auditors remuneration	4,771,666	4,856,393
Bank charges	36,203	36,705
Cleaning	1,451,801	1,248,734
Legal fees	6,972,849	4,618,890
Donations	1,122,486	1,175,882
Entertainment	708,594	446,294
Insurance	2,297,472	1,517,584
IT expenses	9,357,103	6,569,547
Motor vehicle expenses	6,105,303	4,893,264
Postage and courier	273	313
Printing and stationery	816,707	1,977,854
Promotions	1,079,254	1,673,550
Protective clothing	541,458	471,087
Repairs and maintenance	9,669,361	10,243,390
Royalties and license fees	4,458,082	5,851,467
Security	1,973,329	2,059,937
Staff welfare	145,265	162,549
Subscriptions and membership fees	2,115,538	2,072,383
Telephone and fax	3,931,091	4,147,601
Training	3,280,143	3,657,220
Travel	4,717,482	2,390,124
Technical Support	3,021,724	3,224,011
Public participation	921,565	1,096,072
Municipal and other services	4,857,755	3,686,443
Audit Committee	380,277	371,117
Workmens compensation	1,023,940	984,923
	76,324,992	69,615,321

Repairs and maintenance cost of R9,669,361 for 2021/2022 financial year (R10,243,390 for 2020/2021) relates to Property, Plant and Equipment refer to note 11

No repairs and maintenance was required for the heritage asset refer to note 8

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GERT SIBANDE DISTRICT MUNICIPALITY
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Figures in Rand	2022	2021
31. Remuneration of councillors		
Total remuneration of councillors	13,340,169	13,595,538

In-kind benefits

The Executive Mayor and Speaker and Mayoral Committee Members as well as MPAC chairperson are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Executive Mayor and Speaker has full-time bodyguards / drivers.



GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

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31. Remuneration of councillors (continued)

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

Troika and MPAC Chairperson	Basic	Car Allowance	Cellephone Allowance	Pension and Medical Aid	Total
Executive Mayor (Chirwa MG) (To Nov. 2021)	240,072	91,404	14,248	34,141	379,865
Executive Mayor (Mngomezulu MW) (From Nov. 2021)	383,798	162,101	26,390	102,506	674,795
Speaker (Sekhonde BG)	511,104	203,856	40,638	101,440	857,038
Chief Whip (Nkosi SGT)	457,962	175,084	37,238	67,292	737,576
MPAC Chairperson (Ngwenya M)(To Nov. 2021)	174,773	66,542	14,248	24,855	280,418
MPAC Chairperson (Nhlapo N)(From Nov. 2021)	292,482	119,440	26,391	65,838	504,151
	2,060,191	818,427	159,153	396,072	3,433,843

Mayoral Committee	Basic	Car Allowance	Cellphone Allowance	Pension and Medical Aid	Total
Dhlamini ES (To Nov. 2021)	173,870	68,553	14,248	31,790	288,461
Nhlapo NS	170,242	68,553	14,248	35,418	288,461
Mtshali BS (To Nov. 2021)	170,259	68,553	14,248	35,401	288,461
Mthembu N (To Nov. 2021)	180,054	68,553	14,248	25,606	288,461
Maboe SA (To Nov. 2021)	170,456	68,553	14,248	35,204	288,461
Buthelezi BM	470,508	188,328	40,638	94,469	793,943
Maboa-Boltman	506,992	193,880	40,638	74,646	816,156
Zulu NN (From Nov.)	312,455	119,775	26,390	46,868	505,488
Zunguza JB (From Nov. 2021)	301,420	119,775	26,390	57,903	505,488
Malatsi PV (From Nov. 2021)	312,455	119,775	26,390	46,868	505,488
Mkhwanazi CB (From Nov. 2021)	312,455	119,774	26,390	46,869	505,488
Mollo BP (From Nov. 2021)	312,455	119,774	26,390	49,570	508,189
	3,393,621	1,323,846	284,466	580,612	5,582,545

Other councillors (From November 2021)	Basic and Sitting Allowance	Car Allowance	Cellephone Allowance	Pension and Medical Aid	Total
Kubheka MN (To March 2022)	180,674	69,061	30,438	26,509	306,682
Greyling GS (To Nov. 2021)	15,428	5,142	-	-	20,570
Sibanyoni SI (To Nov. 2021)	12,693	4,231	-	-	16,924
Mbhele JS (To Nov. 2021)	15,428	5,142	-	-	20,570
Mkhwanazi CB (To Nov. 2021)	15,428	5,142	-	-	20,570
Nkosi PK (To Nov. 2021)	75,974	28,926	14,248	10,804	129,952
Jordaan C	14,815	4,231	-	-	19,046
Madonsela ME (To Nov. 2021)	15,427	5,143	-	-	20,570
Zulu TSM (To Nov. 2021)	15,428	5,142	-	-	20,570
Mazibuko KD (To Nov. 2021)	12,693	4,231	-	-	16,924
Khumalo MJ (To Nov. 2021)	15,428	5,142	-	-	20,570
Ngubeni A (To Nov. 2021)	15,428	5,142	-	-	20,570
Mathebula SB (To Nov. 2021)	12,693	4,231	-	-	16,924
Karim LS	250,002	95,637	40,638	6,909	423,186
Nkosi DP	3,182	-	-	-	3,182
De Vries GR	34,906	11,636	-	-	46,542
Nkosi VL (To Nov. 2021)	15,427	5,143	-	-	20,570
Mlotshwa TL (To Nov. 2021)	75,974	28,926	14,248	10,804	129,952
Joubert LK (To Nov. 2021)	66,167	28,926	16,352	20,612	132,057
Nkosi MS (To Nov. 2021)	97,500	37,122	14,248	13,856	162,726

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GERT SIBANDE DISTRICT MUNICIPALITY

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Figures in Rand			2022	2021
31. Remuneration of councillors (continued)				
Malatsi PV (To Nov. 2021)	2,122	-	-	2,122
Brussow JLI (To Nov. 2021)	42,250	14,084	-	56,334
Makhubu ML (To Nov. 2021)	2,122	-	-	2,122
Mkhaliphi BJ (To Nov. 2021)	3,182	-	-	3,182
Sibeko PT (To Nov. 2021)	15,427	5,143	-	20,570
Nkosi BG (To Nov. 2021)	15,427	5,143	-	20,570
Sebolela JD (To Nov. 2021)	12,693	4,231	-	16,924
Motlounge ME (To Nov. 2021)	12,668	4,231	-	16,899
Mahlangu BD (To Nov. 2021)	12,693	4,231	-	16,924
Zuma NG	3,182	-	-	3,182
Simelane XA (To Nov. 2021)	15,427	5,143	-	20,570
Manyathi M (To Nov. 2021)	97,500	37,122	14,247	162,735
Skosana VM (To Nov. 2021)	15,427	5,143	-	20,570
Monoto MM (From Sept. to Nov. 2021)	40,817	15,449	7,609	69,277
Mazibuko TE (From Nov. 2021)	22,213	7,405	-	29,618
Seimela T (From Nov. 2021)	22,213	7,405	-	29,618
Khumalo GL (From Nov. 2021)	26,823	8,941	-	35,764
Nkambule DM (From Nov. 2021)	139,771	53,579	26,390	240,697
Lukhele ST (From Nov. 2021)	139,771	53,579	26,390	240,697
Masango SJ (From Nov. 2021)	64,880	22,470	8,581	103,391
Webber KH (From Nov. 2021)	139,771	53,578	26,391	240,697
Kgwedi TH (From Nov. 2021)	139,771	53,578	26,391	240,697
Yende MR (From Nov. 2021)	26,647	8,882	-	35,529
Breydenbach Z (Nov. 2021 to Feb. 2022)	15,603	5,201	-	20,804
Silosisni SA	26,998	8,999	-	35,997
Mbuli TG (From Nov. 2021)	26,998	8,999	-	35,997
Moeketsi BK (From Nov. 2021)	2,122	-	-	2,122
Dlamini M (From Nov. 2021)	139,771	53,579	26,390	240,697
Ngovene SE (Nov. 2021 to Feb. 2022)	15,603	5,201	-	20,804
Sikhakhane NB (From Nov. 2021)	26,998	8,999	-	35,997
Thwala TH (From Nov. 2021)	2,122	-	-	2,122
Molaba ML (From Nov. 2021)	26,998	8,999	-	35,997
Chauke EW (From Nov. 2021)	22,213	7,405	-	29,618
Matshaba KA (From Nov. 2021)	26,998	8,999	-	35,997
Mncina LM (From Nov. 2021)	26,998	8,999	-	35,997
Thwala DM (From Nov. 2021)	26,823	8,941	-	35,764
Dudley V (From Nov. 2021)	101,392	38,514	17,810	171,221
Mahlangu SV (From Nov. 2021)	22,213	7,405	-	29,618
Kubheka MA (From Nov. 2021)	22,213	7,405	-	29,618
Hlophe VS (From Nov. 2021)	26,883	8,941	-	35,824
Gwebu NG (From Nov. 2021)	66,394	21,233	-	87,627
Ndebele JHC (From Nov. 2021)	26,998	8,999	-	35,997
Maboea SA (From Nov. 2021)	66,395	22,131	-	88,526
Van Huyssteen NC (From Nov. 2021)	12,874	4,291	-	17,165
Bekker PD (From Nov. 2021)	21,437	8,218	4,048	36,404
Traditional Leaders	26,520	-	-	26,520
	2,753,056	989,091	314,419	4,323,779

32. Transfers and subsidies paid

Other subsidies

Grants paid to local municipalities 46,796,512 54,779,971

33. Auditor's fees

Expenses

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4,771,666 4,856,393

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GERT SIBANDE DISTRICT MUNICIPALITY

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34. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	14,946,112	14,946,112
Other receivables from non-exchange transactions	871,358	871,358
Cash and cash equivalents	255,950,957	255,950,957
	271,768,427	271,768,427

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	115,092,102	115,092,102
Payables from non-exchange transactions	10,565,614	10,565,614
Consumer deposits	60,750	60,750
Finance lease obligation - current liability	1,044,391	1,044,391
Finance lease obligation - non-current liability	702,026	702,026
	127,464,883	127,464,883

2021

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	15,715,885	15,715,885
Receivables from non-exchange transactions	1,168,349	1,168,349
Cash and cash equivalents	186,830,217	186,830,217
	203,714,451	203,714,451

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	97,856,204	97,856,204
Taxes and transfers payable (non-exchange)	27,505,452	27,505,452
Consumer deposits	52,798	52,798
Finance lease obligation - current liability	839,442	839,442
Finance lease obligation - non-current liability	1,746,417	1,746,417
	128,000,313	128,000,313

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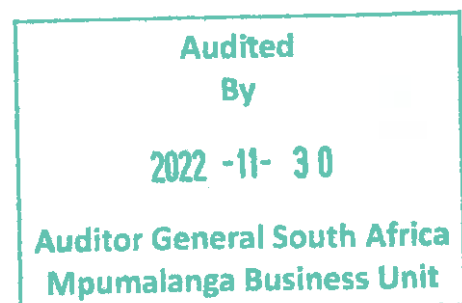
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Figures in Rand	2022	2021
35. Cash generated from operations		
Surplus (deficit)	23,242,598	(11,341,965)
Adjustments for:		
Depreciation and amortisation	24,094,733	23,376,441
Gain (loss) on sale of assets and liabilities	319,343	(646,593)
Revenue received in kind	(22,300,689)	-
Finance costs - Finance leases	233,184	121,258
Impairment deficit	-	46,528
Bad debts written off	-	460,870
Movements in long service award	531,977	1,863,000
Movements in retirements benefit obligation	(99,365)	(1,648,011)
Movements in provisions	799,289	374,839
Actuarial losses and gains	6,365	78,751
Actuarial losses/ (gains)	392,026	677,263
Finance costs- Retirement benefit obligation	74,000	68,000
Finance costs - Long service awards	1,060,000	875,000
Changes in working capital:		
Inventories	(174,901)	(391,392)
Receivables from exchange transactions	769,773	(14,409,388)
Other receivable from non-exchange transaction	-	(1,089)
Receivable from non exchange transaction	297,010	374,000
Pre Payments	(125,747)	(115,028)
Payables from exchange transactions	(12,473,832)	1,321,671
VAT	39,732,643	17,037,864
Payables from exchange transactions	18,670,370	24,767,008
Unspent conditional grants and receipts	(685)	(68,783)
Consumer deposits	7,952	6,064
	75,056,044	42,826,308



GERT SIBANDE DISTRICT MUNICIPALITY

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Notes to the Annual Financial Statements

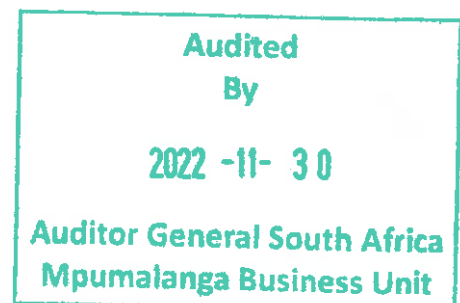
Figures in Rand	2022	2021
36. Commitments		
Capital Commitments		
Already contracted for but not provided for		
• Projects and operations - Projects funded by Gert Sibande District	199,552	499,852
Authorised operational expenditure		
Already contracted for but not provided for		
• Projects and operations - Projects funded by Gert Sibande District	-	6,223,286
Commitments entered into as implementing agent (RBIG projects)		
• RBIG projects funded by the Local municipalities	476,921,738	642,221,344
Total operational commitments		
Already contracted for but not provided for	-	6,223,286
Commitments entered into as implementing agent (RBIG projects)	476,921,738	642,221,344
	476,921,738	648,444,630
Total commitments		
Total commitments		
Authorised capital expenditure	199,552	499,852
Authorised operational expenditure	476,921,738	648,444,630
	477,121,290	648,944,482

GSDM Commitments:

This committed expenditure relates to property and projects as well as operational commitments and will be financed by retained surpluses, existing cash resources, funds internally generated

RBIG commitments entered into as Implementing agent:

During the 2019/20 financial period GSDM, DWS, Chief Albert Luthuli, Mkhondo, Dlpaleseng and Msukaligwa local municipality entered into agreement where it was agreed that GSDM was given authority to enter into agreement with service providers for the construction of the water and waste water projects. This agreement was still relevant in 2021/2022. The funding of these projects is included in the budget of the local municipalities through RBIG grant allocation as gazetted by National Treasury. The above commitment of R477,343,623 for June 2022 (R642,643,229 for 2021) relates to those projects already contracted to by GSDM on behalf of the local municipalities.



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37. Contingencies

Contingent liabilities for the period ending 30 June 2022

Hlokoapitsi CC

Hlokoapitsi is seeking damages of R127, 006 (2021: R127,006). Judgement was received on 17 March 2015 in favour of GSDM. Estimated legal costs amount to R200,000 (2021: R200,000). Plaintiff might take GSDM to trial. No progress from plaintiff attorneys have been instructed to apply for dismissal of the matter and security cost.

Tactical Security Services vs GSDM

Plaintiff is suing council to the amount of R1,013,990 (2021: R1,013,990). The matter is before the High Court (Gauteng Division Pretoria). The estimated legal fees is R380,000 (2021: R380,000) to date. Rule 35 notice was filed for discovery.

Methula NF vs GSDM

Plaintiff is suing GSDM for R1,100,000 (2021: R1,100,000) as a result of an accident whereby the plaintiff sustained bodily injuries. Estimated legal fees to date amount to R260,000 (2021: R260,000). Awaiting trial date.

SAMWU on behalf of Mr M vs GSDM

Application instituted by Mr M for court review and set aside arbitration award. Estimated costs of the financial exposure (inclusive of costs and disbursements amount to R500,000 (2021: R500,000). Mr M was dismissed and is in the process of take the matter for review. Awaiting trial date. Heads of arguments outstanding from respondent.

GSDM vs SAMWU on behalf of Ms M

Application instituted by GSDM for the court to review and set aside arbitration award. Estimated R650,000 (2021: R650,000). Ms M was dismissed and received an award for reinstatement and compensation, which GSDM is in the process for review. Awaiting trial date

BDW Eiedomme CC vs GSDM/ VS Nzimande

BDW Eiedomme CC is suing GSDM as a result of a motor vehicle accident. Legal council estimates financial exposure including cost to amount to R200,000 (2021: R200,000). Awaiting trial date.

Afri-Infra vs GSDM & others

GSDM is being sued for payment for work done at Lekwa Local Municipality. Amount claimed R747,248.68 (2021: R747,248.68) Estimated legal costs R360,000 (2021: R360,000). The matter set down will sit down on 22 July 2022 for irregular proceedings application.

Minning & Environmental Justice Network vs GSDM Joint Planning Tribunal

Review and interdict application. Estimated legal costs R799 000 (2021: R799 000). GSDM has filed a request for further particulars against second respondent.

GSDM vs Mr S

GSDM filed a review application against the ruling of the arbitrator. Estimated legal costs R800,000 (2021:R800 000). Matter set down on 16th and 17th August 2022.

GSDM vs SAMWU M and M

Dismissal review application was brought against GSDM. Estimated legal costs R900,000. Respondent to file heads of arguments.

Mr S vs GSDM

Review application against dismissal. Estimated legal costs R800,000 (2021: R700 000). Awaiting for the trial date



GERT SIBANDE DISTRICT MUNICIPALITY

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37. Contingencies (continued)

Contingent assets for the period ending 30 June 2022

Inhlakanipho Consultants CC // Gert Sibande Municipality case Number :10184/2011

GSDM was awarded with a court order for the legal costs to be recovered from the plaintiff. Estimated fees for the Expert witness is R500 000.00. Recovery costs are estimated to be R950 000 after taxation

Rand Water

During the 2013/14 to 2016/17 financial period Gert Sibande District appointed Rand Water to do operation and maintenance at Msukaligwa Local Municipality. The district has done the reconciliation of what was paid to Rand Water and actual work performed. Gert Sibande District Municipality estimated that there was overpayment of R1, 7 million therefore should be repaid back. There is currently a discussion with Rand Water to ensure that this matter is resolved and both parties agree with the actual overpayment

38. Related parties

Relationships

Accounting Officer - CA Habile	Management
Chief Financial Officer - ZR Buthelezi	Management
General Manager: Corporate Service - NC Ndhlovu	Management
General Manager: Community and Social Services - ME Michele	Management
General Manager: Planning and Economic Development - MJ Mkhonza	Management
General Manager: Infrastructure and Technical Services - ME Thabethe	Management
General Manager: Corporate Service - ME Radebe	Management
Acting General Manager: Corporate Service - MA Barnabas	Management
Acting General Manager: Corporate Service - SP Msibi	Management

Refer to the note for Employee Related Costs note 26 for amounts paid to management and time frames

Councillors are deemed to be related parties, refer to the note for Remuneration of Councillors note 31 for amounts paid to councillors as well as time frames

39. Prior-year adjustments

Statement of financial position

2021

	Note	As previously reported	Correction of error	Restated
Payables from exchange transaction (Error 1)	15	99,619,477	(1,409,962)	98,209,515
Accumulated Surplus (Error 1)		391,128,653	1,350,410	392,479,063
VAT Receivables (Error 1 &5)	7	22,417,326	(15,059,827)	7,357,499
Finance leased assets (Error 1)	11	2,131,383	204,685	2,336,068
Finance lease obligation (Error 2)	13	824,964	14,477	839,441
Finance Lease Obligation (Error 2)	13	1,496,065	250,351	1,746,416
Receivable from exchange transactions (Error 3)	5	14,215,884	1,500,000	15,715,884
Payables from non exchange transaction (Error 3&6)	17	26,005,452	(13,489,017)	12,516,435
IT Equipment (Error 2)	11	9,524,596	142,196	9,666,792

Statement of financial performance



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39. Prior-year adjustments (continued)

2021

	Note	As previously reported	Correction of error	Restated
Other Income (error 4)	22	10,443,876	1,528	10,445,404
Operating Cost (Error 1)	30	69,723,470	(108,150)	69,615,320
Transfers Subsidies (Error 1)	32	54,616,550	163,421	54,779,971
Depreciation (Error 1) IT Equipment	11	23,336,962	39,479	23,376,441
Finance costs (Error 2)	27	1,052,970	11,288	1,064,258

Prior year errors

Error 1:

Payables were corrected for prior year invoices which were affecting the balance and were incorrectly raised . The balance of R1,409 962 which was affecting the Accumulated surplus with R1,350,410.00, VAT with a balance of R116 893, Operating cost with a balance of R108,149.68, Transfers and subsidies with a balance of R143,805 . An additional Transfers and subsidies paid relating to the prior year of R307 227 was discovered , Affecting trade payables with R353 310 and vat of R46 083.90.

Error 2:

Finance lease was corrected for an annual escalation of 10% The Non current Finance lease obligation corrected with R250,351, Finance costs adjustment of R11,288 and Current Portion Finance lease obligation with an adjustment of R14,477. This also led to adjustment of the assets cost of R253,541,06 , depreciation was corrected by R 48 855.70 in the 2021 financial period

A finding was raised for assets which were authorised for disposal but were not disposed from the Fixed Asset Register which lead to an increase in disposals by R68 645

Furthermore, depreciation increased by R42,703 as a results of assets of whose disposal date changed.

Error 3:

Receivables from exchange transaction correction is as a result of an invoice issued before 30 June 2021. to Chief albert Luthuli Local Municipality for co funding of R1 500 000 which was paid to Gert sibande district municipality in the 2021/22 Financial year.

Error 4:

Other income was overstated with the amount of R1,528, in the prior year, Corresponding balance of VAT was also corrected with R 1528.

Error 5:

In addition Vat Receivables correction from Transfers and payables of R 15 058 968.10 relating to prior year was also effected

Error 6:

A classification correction of Vat Output amount relating to Transfers and payables of R 14 988 159 relating to prior year was effected , resulting to a net effect of R13 489 017

Cash flow statement

2021

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities		470,545	9,886,586	10,357,131
Interest Income				

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40. Change in estimate

Property, plant and equipment

The estimated useful life of assets in certain classes of Property, Plant and Equipment were assessed during the 2022 financial year. In that financial year management have extended their estimated useful lives. The effect of this revision has decreased the depreciation and amortisation charges by R364,502 for 2022 (R 441,142 for 2021) and increased for future periods by R363,984 for 2022 (R441,142 for 2021) and increased for future periods by R364,502 for 2022 (R441,142 for 2022).

41. Risk management

Financial risk management

Liquidity risk

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

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

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables - Accrual Payables	32,076,218	-	-	-
Trade and other payables - Retentions	59,958,552	-	-	-

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables - Accrual Payables	29,633,566	-	-	-
Trade and other payables - Retentions	41,703,889	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

Financial instrument	2022	2021
Trade and other receivables from exchange transactions (at amortised cost)	238,325	4,430,397
Other receivables from non-exchange transactions - non-current (at amortised cost)	806,714	1,103,724
Other receivables from non-exchange transactions - current (at amortised cost)	64,644	64,644
Cash and cash equivalents (at fair value)	255,950,957	186,830,219

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

Market risk

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41. Risk management (continued)

Interest rate risk

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

42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Opening balance	(2,004,439)	(1,889,430)
Current year subscription/fee	1,855,635	1,896,635
Amount paid - current year	(1,981,378)	(2,011,644)
	(2,130,182)	(2,004,439)

Audit fees

Current year fee	4,771,665	4,856,393
Amount paid - current year	(4,771,665)	(4,856,393)

PAYE, SDL and UIF

Current year fee	40,725,973	38,342,010
Amount paid - current year	(40,725,973)	(38,342,010)

Pension and Medical Aid Deductions

Current year fee	49,927,643	48,279,545
Amount paid - current year	(49,927,643)	(48,279,545)

43. Budget differences

Differences between budget and actual amounts basis of preparation and presentation



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43. Budget differences (continued)

Note 1: The lab is mainly used for water testing for the local municipalities within the district. The District is not charging the local municipalities for this service. Only private clients are charged for this service. In the current financial period they were less private client that utilised this service.

Note 2: The district has intensified its inspection such as air quality, environmental health, shops, restaurants etc. These has led to increase due to the fact that more penalties were imposed from these inspections.

Note 3: Lesser revenue received mainly from the agency fees than anticipated. This is based on the monitoring of the RBIG projects under schedule 6.B

Note 4: Received more interest due to he interest rates increased at the last part of the financial year as well as more cash available for investments.

Note 5: During the year the district has received a donation from Msukaligwa of its Airport for the purpose of developments. This was not budgeted for by the District hence the differences

Note 6: No increase promulgated for Councillors in 2022.

Note 7: Higher interests rates used with assumptions for 2022 as anticipated.

Note 8:

Gains and losses is not part of normal operations of the council therefore cannot be budgeted for

Note 9:

This is due to the adherence to Preferential Procurement Regulations, 2017 -Minister of Finance v Afribusines NPC(2022) ZACC 4 which introduce more stringent processes for the procurement of good and services above R30,000.

Note 10

This is due to the adherence to Preferential Procurement Regulations, 2017 -Minister of Finance v Afribusines NPC(2022) ZACC 4 which introduce more stringent processes for the procurement of good and services above R30,000.

Note 11

Management decision to cut savings when the post is vacated, during the year

44. Segment information

General information

Identification of segments

The district municipality is not necessary involved in delivering core service to its citizens. This is compounded by the fact that some of the functions that are ordinarily performed by the district in terms of municipal structures act they were delegated to the local municipalities e.g. bulk water,bulk sewer,solid waste sites etc. For management purposes,the municipality is organised and operates in two key functional segments which are involved in service delivery purposes therefore has the ability to derive service potential. To this end,management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessments of performance. Revenues and expenditures relating to these buisness units are allocated to these business units.

The two key buisness units comprise of:

- Community and social services which include municipal health services, environmental health and siaster management amongst it function;-
- Infrastructure and technical services which include amongst others support to local municipalities Ar road maintenance, bulk infrastructure projects,water quality testing etc;

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (If any)

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44. Segment information (continued)

Aggregated segments

For the purpose of this reporting the other departments such as Office of the Executive Mayor, Office of the Municipal manager, Finance, Corporate service and Planning and economic development are viewed as support function and therefore grouped as governance and administration support.

For segment reporting purposes the income and expenditures as well as assets and liabilities will be included in the annual financial statements. The information regarding cash flow is not readily split into these departments, therefore it has not been included in the segment reporting.

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:

Infrastructure and technical services	supporting local municipalities on bulk infrastructure, maintenance of road as well as water quality testing
Community and social services	Municipal health services, environmental health and disaster management
Governance and administration support	Support function (not a major segment)

Segment surplus or deficit, assets and liabilities



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44. Segment information (continued)

Segment surplus or deficit

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44. Segment information (continued)

2022

	Governance and administration	Community and Social Services	Infrastructure and technical services	Total
Revenue from non exchange transactions	350,160,481	1,165,208	-	351,325,689
Revenue from exchange transactions	13,595,806	-	10,200,457	23,796,263
Total Revenue	363,756,287	1,165,208	10,200,457	375,121,952
Salaries and wages	(140,258,942)	(35,609,658)	(27,001,291)	(202,869,891)
Depreciation and amortisation	(19,360,898)	(735,334)	(3,998,501)	(24,094,733)
Other Expenditure	(61,651,461)	(2,533,984)	(13,613,531)	(77,798,976)
Transfer and subsidies	(30,786,862)	(1,521,283)	(14,488,367)	(46,796,512)
Loss on disposal of assets	(319,343)	-	-	(319,343)
Total surplus / (deficit)	111,378,781	(39,235,051)	(48,901,233)	23,242,497

2021

	Governance and administration	Community and Social Services	Infrastructure and technical services	Total
Revenue from non exchange transactions	319,799,000	-	-	319,799,000
Revenue from exchange transactions	12,816,589	472,210	7,897,681	21,186,480
Profit on disposal of assets	646,593	-	-	646,593
Total Revenue	333,262,182	472,210	7,897,681	341,632,073
Salaries and wages	(140,140,703)	(38,962,393)	(24,506,948)	(203,610,044)
Depreciation and amortisation	(18,380,969)	(781,806)	(4,176,187)	(23,338,962)
Other Expenditure	(55,731,395)	(2,247,949)	(13,244,316)	(71,223,660)
Transfers and subsidies paid	(37,172,936)	(1,255,129)	(16,351,906)	(54,779,971)
Total surplus / (deficit)	81,836,179	(42,775,067)	(50,381,676)	(11,320,564)

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45. Accounting by Principle - Agents

Gert Sibande District entered into an agreement to act as agent with Department of Water and Sanitation as well as other local municipalities. Below is the detail transactions from these transactions.

Detail transactions for receivables are reported in note 6 and for payables in note 15

Department of Water and Sanitation

The District Municipality act as an agent for the Department of Water and Sanitation during the implementation of the Regional Bulk Infrastructure Grant (RBIG).

Reconciliation of agency transactions

Receipts and receivables

Opening balance	9,757,287	-
Total billed to principal	202,142,734	176,417,433
Total received from principal	(196,729,747)	(166,660,146)
Receivables	15,170,274	9,757,287

Gert Sibande District Municipality receive agency fees as part of the agreement with Department of Water and Sanitation refer to note 22 for more detail.

Payments and payables

Opening Balance	9,757,287	-
Total expenditure incurred	202,142,734	176,417,433
Total paid to suppliers	(196,729,747)	(166,660,146)
Payables	15,170,274	9,757,287

Local Government

The District Municipality act as an agent for implementing of some of the Local Municipalities for Regional Bulk Infrastructure Grant (RBIG). A tripartite agreement is in place between the Municipalities (Msukaligwa and Chief Albert Lethuli), the District Municipality and Department of Water and Sanitation

Reconciliation of agency transactions

The district does not charge any fees for these transactions

Receipts and receivables

Total billed to principal	305,270,142	479,220,316
Total received from principal	(305,270,142)	(479,220,316)
Receivables	-	-

Payments and payables

Total expenditure incurred	305,270,142	479,220,316
Total paid to suppliers	(305,270,142)	(479,220,316)
Payables	-	-

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44. Segment information (continued)

Segment assets and liabilities

2022

	Current Assets	Non Current Assets	Current Liabilities	Non Current Liabilities	Total segment assets	Total segment liabilities	
Infrastructure and technical service	367,018	22,537,187	-	1,515,981	22,904,206	1,515,981	
Community and social services	30,540	44,185,595	-	-	44,216,135	-	
Governance and administration services	273,951,095	234,044,596	157,596,083	11,317,045	507,995,691	168,913,128	
Total segment assets	274,348,653	300,767,378	157,596,083	12,833,026	575,116,032	170,429,109	
Total as per Statement of financial Position						575,116,032	170,429,109

2021

	Current Assets	Non Current Assets	Current Liabilities	Non Current Liabilities	Total segment assets	Total segment liabilities	
Infrastructure and technical service	10,667,915	27,613,623	12,516,435	-	38,281,538	12,516,435	
Community and social services	(341,318)	46,655,815	18,726	-	46,314,497	18,726	
Governance and administration services	201,228,785	222,806,834	106,198,756	12,997,065	439,094,587	119,195,821	
Total segment	211,555,382	297,076,272	118,733,917	12,997,065	523,690,622	131,730,982	
Total as per Statement of financial Position						523,690,622	131,730,982

Total segment
Total as per Statement of financial Position

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