



Blue Crane Route Local Municipality (EC 102)  
Annual Financial Statements  
for the year ended 30 June 2022

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## General Information

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<b>Legal form of entity</b>	Local Municipality
<b>Grade</b>	2
<b>Nature of business and principal activities</b>	Local Government. Principal activities in-line with the Constitution of South Africa, Schedule 4 B and 5 B
<b>Council Members</b>	
Executive Mayor	BA Mangxoweni
Councillors	MK Mali ZS Baskiti P Sonkwala JM Martin ABC Heynse FP Brown C Nel EL Miggels NP Nkonyeni A Dyantyi
<b>Accounting Officer</b>	T Klaas (mmanager@bcm.gov.za)
<b>Chief Finance Officer (CFO)</b>	NB Delo (nigeld@bcm.gov.za)
<b>Registered office</b>	67 Nojoli Street Somerset East 5850
<b>Postal address</b>	P.O. Box 21 Somerset East 5850
<b>Auditors</b>	Auditor General South Africa
<b>Bankers</b>	ABSA BANK
<b>Attorneys</b>	Smith Tabata Attorneys Pagdens Attorneys Gray Moodliar Attorneys Chris Bakes & Associates

# Blue Crane Route Local Municipality (EC 102)

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 Council:

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
mSCOA	Municipal Standard Chart of Accounts
IAS	Generally Recognised Accounting Practice
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Institute of Municipal Finance Officers
SBDM	Sarah Baartman District Municipality
MIG	Municipal Infrastructure Grant
WSIG	Water Services Infrastructure Grant
FMG	Financial Management Grant
EPWP	Expanded Public Works Program
INEP	Integrated National Electrification Program

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the 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.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the Chief Financial Officer.

The external auditors are responsible for expressing an audit opinion on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed by him.

The accounting officer hereby certify as required by Section 124(1)(a) of the Municipal Finance Management Act (Act 56 of 2003) that the salaries, allowances and benefits of political office-bearers and councillors of the Blue Crane Route Municipality, whether financial or in kind, are within the upper limits of the framework envisaged in section 219 of the Constitution.

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**Charity Sihunu**  
**Acting Accounting Officer**

**Wednesday, 31 August 2022**

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

Figures in Rand	Notes	2022	2021 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	1 249 422	1 153 368
Other receivables from exchange transactions	4	1 315 710	1 162 857
Other receivables from non-exchange transactions	5	11 994 688	9 300 976
Trade receivables from exchange transactions	6	25 452 279	28 205 626
VAT receivable		969 285	-
Cash and cash equivalents	7	21 425 790	25 685 132
		<b>62 407 174</b>	<b>65 507 959</b>
<b>Non-Current Assets</b>			
Investments		-	613 992
Investment property	8	39 868 716	41 910 678
Property, plant and equipment	9	842 958 102	865 923 511
Intangible assets	10	1 241	3 102
Heritage assets	11	458 067	458 067
		<b>883 286 126</b>	<b>908 909 350</b>
<b>Total Assets</b>		<b>945 693 300</b>	<b>974 417 309</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Employee benefit obligation	12	1 721 000	1 497 000
Other financial liabilities	14	957 669	443 645
Unspent conditional grants and receipts	15	22 332 193	16 932 935
Payables from exchange transactions	17	44 304 709	42 723 807
Trade and other payable from non-exchange	18	1 028 954	1 586 289
VAT payable	19	-	237 679
Consumer deposits	20	2 792 258	2 734 065
		<b>73 136 783</b>	<b>66 155 420</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	14	4 151 820	-
Finance lease obligation		730 898	-
Employee benefit obligation	12	27 240 000	25 414 000
Provisions	16	26 297 727	26 272 112
		<b>58 420 445</b>	<b>51 686 112</b>
<b>Total Liabilities</b>		<b>131 557 228</b>	<b>117 841 532</b>
<b>Accumulated Surplus</b>		<b>814 136 072</b>	<b>856 575 777</b>
Accumulated surplus		814 136 072	856 575 777
<b>Total Net Assets</b>		<b>814 136 072</b>	<b>856 575 777</b>

\* See Note 41

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Notes	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	23	144 865 363	141 897 307
Rental of facilities and equipment		587 118	612 984
Interest earned - Outstanding debtors		4 437 608	3 844 246
Interest earned - external investments	24	935 030	591 804
Agency services		724 977	845 485
Gain on disposal of assets		-	1 979
Other income	26	3 169 495	2 891 074
<b>Total revenue from exchange transactions</b>		<b>154 719 591</b>	<b>150 684 879</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	22	23 816 440	23 350 405
Licences and Permits		336 813	280 173
<b>Transfer revenue</b>			
Fines		244 539	120 785
Government grants & subsidies	25	97 841 494	104 528 860
<b>Total revenue from non-exchange transactions</b>		<b>122 239 286</b>	<b>128 280 223</b>
<b>Total revenue</b>	21	<b>276 958 877</b>	<b>278 965 102</b>
<b>Expenditure</b>			
Employee related costs	27	91 419 228	87 050 727
Remuneration of councillors	28	4 442 577	4 132 645
Inventory Consumed	33	6 880 737	4 918 383
Debt Impairment/ Write off	29	29 613 065	25 357 410
Depreciation and amortisation		55 253 504	56 247 706
Finance costs	30	3 370 546	2 456 631
Bulk purchases	31	108 082 284	99 826 577
Contracted services	32	8 630 427	9 864 732
Transfers and Subsidies	34	926 617	881 400
Operational cost	35	12 175 916	13 174 977
<b>Total expenditure</b>		<b>320 794 901</b>	<b>303 911 188</b>
<b>Operating deficit</b>		<b>(43 836 024)</b>	<b>(24 946 086)</b>
Loss on disposal of assets and liabilities		(153 424)	(395 029)
Actuarial gains/losses	12	217 357	(736 647)
Fair value adjustment for landfill site provision		2 527 994	513 212
Impairment loss		(1 195 596)	-
		<b>1 396 331</b>	<b>(618 464)</b>
<b>Deficit for the year</b>		<b>(42 439 693)</b>	<b>(25 564 550)</b>

\* See Note 41

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	887 912 590	887 912 590
Adjustments		
Assets accepted as settlement of debtors account	(1 133 844)	(1 133 844)
Prior year adjustments 41	(4 638 419)	(4 638 419)
<b>Balance at 01 July 2020 as restated*</b>	<b>882 140 327</b>	<b>882 140 327</b>
Changes in net assets		
Deficit for the year	(25 564 550)	(25 564 550)
Total changes	(25 564 550)	(25 564 550)
Opening balance as previously reported	859 435 779	859 435 779
Adjustments		
Prior year adjustments 41	(2 860 014)	(2 860 014)
<b>Restated* Balance at 01 July 2021 as restated*</b>	<b>856 575 765</b>	<b>856 575 765</b>
Changes in net assets		
Surplus for the year	(42 439 693)	(42 439 693)
Total changes	(42 439 693)	(42 439 693)
<b>Balance at 30 June 2022</b>	<b>814 136 072</b>	<b>814 136 072</b>

\* See Note 41

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		145 137 963	140 877 085
Grants		100 340 752	120 637 603
Interest income		859 104	591 804
Other receipts		2 848 018	4 307 458
		<u>249 185 837</u>	<u>266 413 950</u>
<b>Payments</b>			
Employee costs		(89 859 803)	(85 437 375)
Suppliers		(28 079 644)	(30 394 675)
Remuneration of councillors		(4 442 577)	(4 132 643)
Bulk Purchases		(106 102 228)	(98 896 322)
Finance charges		(372 780)	(77 810)
Other Payments		(1 519 625)	(881 400)
		<u>(230 376 657)</u>	<u>(219 820 225)</u>
<b>Net cash flows from operating activities</b>	37	<b><u>18 809 180</u></b>	<b><u>46 593 725</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(29 068 075)	(29 574 571)
Net proceeds on disposal of assets & liabilities	9	4 306	1 979
Increase in Investments activities		613 992	(613 992)
		<u>(28 449 777)</u>	<u>(30 186 584)</u>
<b>Cash flows from financing activities</b>			
Proceeds from other financial liabilities		5 500 000	-
Repayment of other financial liabilities		(834 146)	(372 114)
Consumer deposits		58 193	82
Finance lease payments		(240 990)	(232 414)
Finance lease receipts		898 198	-
		<u>5 381 245</u>	<u>(604 446)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(4 259 352)</b>	<b>15 802 695</b>
Cash and cash equivalents at the beginning of the year		25 685 132	9 882 437
<b>Cash and cash equivalents at the end of the year</b>	7	<b><u>21 425 780</u></b>	<b><u>25 685 132</u></b>

\* See Note 41



# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Statement of Financial Performance

#### Revenue

##### Revenue by source

Property rates	19 874 401	-	<b>19 874 401</b>	23 816 440	<b>3 942 039</b>
Service charges	180 637 794	(6 405 198)	<b>174 232 596</b>	144 865 363	<b>(29 367 233)</b>
Interest earned - external investments	800 000	-	<b>800 000</b>	935 030	<b>135 030</b>
Government grants and subsidies	103 589 000	11 200 932	<b>114 789 932</b>	94 941 494	<b>(19 848 438)</b>
Contributions recognised - capital & contributed assets	-	28 000 000	<b>28 000 000</b>	2 900 000	<b>(25 100 000)</b>
Other Income	10 185 028	542 670	<b>10 727 698</b>	12 245 901	<b>1 518 203</b>
	<b>315 086 223</b>	<b>33 338 404</b>	<b>348 424 627</b>	<b>279 704 228</b>	<b>(68 720 399)</b>

##### Expenditure by type

Employee costs	(94 230 626)	(2 174 077)	<b>(96 404 703)</b>	(91 419 228)	<b>4 985 475</b>
Remuneration of councillors	(4 384 006)	-	<b>(4 384 006)</b>	(4 442 577)	<b>(58 571)</b>
Depreciation & amortisation	(61 879 141)	-	<b>(61 879 141)</b>	(56 449 101)	<b>5 430 040</b>
Finance charges	(557 202)	(1 593 718)	<b>(2 150 920)</b>	(3 370 546)	<b>(1 219 626)</b>
Materials and bulk purchases	(127 603 483)	3 947 037	<b>(123 656 446)</b>	(114 963 021)	<b>8 693 425</b>
Other expenditure	(56 208 206)	677 117	<b>(55 531 089)</b>	(51 499 448)	<b>4 031 641</b>
<b>Total expenditure</b>	<b>(344 862 664)</b>	<b>856 359</b>	<b>(344 006 305)</b>	<b>(322 143 921)</b>	<b>21 862 384</b>
<b>Surplus/(Deficit) for the year</b>	<b>(29 776 441)</b>	<b>34 194 763</b>	<b>4 418 322</b>	<b>(42 439 693)</b>	<b>(46 858 015)</b>

### Statement of Financial Position

Total Current Assets	60 988 907	(12 245 966)	<b>48 742 941</b>	62 407 173	<b>13 664 232</b>
Total Non-Current Assets	831 465 912	38 969 070	<b>870 434 982</b>	883 286 126	<b>12 851 144</b>
Total Current Liabilities	(80 883 818)	31 753 155	<b>(49 130 663)</b>	(73 136 782)	<b>(24 006 119)</b>
Total Non-Current Liabilities	(29 420 030)	(703 240)	<b>(30 123 270)</b>	(58 420 445)	<b>(28 297 175)</b>
<b>Accumulated Surplus</b>	<b>782 150 971</b>	<b>57 773 019</b>	<b>839 923 990</b>	<b>814 136 072</b>	<b>(25 787 918)</b>

#### Cash Flow Statement

Net cash from/(used) operating	35 830 060	(15 852 694)	<b>19 977 366</b>	18 809 180	<b>(1 168 186)</b>
Net cash from/(used) investing	-	(54 380 470)	<b>(54 380 470)</b>	(28 449 777)	<b>25 930 693</b>
Net cash from/(used) financing	10 217 986	(2 070 572)	<b>8 147 414</b>	5 381 255	<b>(2 766 159)</b>
<b>Cash/cash equivalents at the year end</b>	<b>48 941 418</b>	<b>(48 899 736)</b>	<b>41 682</b>	<b>21 425 790</b>	<b>21 384 108</b>

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

Figures in Rand	Notes	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.

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

These accounting policies are consistent with those applied in the preparation of the prior year financial statements, unless specified otherwise. Details on any changes in accounting policies are provided in note Changes in accounting policy.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity. The figures in the annual financial statement are rounded to the nearest Rand value.

#### 1.2 Going concern

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

#### 1.3 Budget information

Budget information in accordance with GRAP 1 and 24, has been provided in the Statement of comparison of budget and actual amounts. The approved budget is prepared on an accrual basis. The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

#### 1.4 Comparative figures

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and/or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The presentation and classification of items in the current year is consistent with prior years.

The nature and reasons for the reclassifications and restatements are disclosed in note 45 to the financial statements.

#### 1.5 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

#### 1.6 Interests in other entities

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

The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of the relevant asset or liability in future periods.

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

#### Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the annual financial statements.

#### Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies, the following estimates were made:

#### Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

#### Impairment of non-financial assets

In determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

#### Provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised.

This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes.

Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions. Additional disclosure of these estimates of provisions is included in note 19 - Provisions.

#### Pension and other post-employment benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, future salary increase, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

#### Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis.

The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

#### Provisions for rehabilitation of refuse landfill sites

The entity has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value using an appropriate discounting rate, representing the time value of money.

#### Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's current condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life.

In evaluating the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

### 1.8 Property, plant and equipment

#### Initial recognition

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 are 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. The cost also includes the cost of dismantling and removing the asset and restoring the site on which it is operated

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

Major spare parts and servicing equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and servicing equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment

#### Subsequent measurement

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, which is not depreciated as it is deemed to have an indefinite useful life.

#### Subsequent expenditure

Where the entity replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component

#### Depreciation

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. Components that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an asset's residual value.

The annual depreciation rates are based on the following estimated useful lives:

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Item	Average useful life
Land (PPE)	Indefinite
Buildings	30 - 60 years
Plant	5 - 15 years
Furniture and fixtures	5 - 15 years
Motor vehicles	5 - 20 years
Office equipment	3 - 10 years
Other equipment	3 - 10 years
Infrastructure	5 - 80 years
Landfill site	15 - 30 years
Community Assets	10 -30 years

#### Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

#### Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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### 1.9 Investment property

#### Initial Recognition

Investment property includes property (land or a building, or part of a building) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property is initially recognised when future benefits are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

#### Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

#### Derecognition

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

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

#### Impairments

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date.

Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance:

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance:

#### Subsequent expenditure

Where the entity replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

### 1.10 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position 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.

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### 1.10 Intangible assets (continued)

An internally generated intangible asset is subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the entity intends to complete the intangible asset, for use or sale .
- it is technically feasible to complete the intangible asset .
- the entity has the resources to complete the project.
- it is probable that it will generate future economic benefits or service potential.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction; the cost shall be its fair value as at the date of acquisition.

#### Subsequent measurement

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

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

#### Amortisation and impairment

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method.

The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5 years
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#### Impairments.

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.11 Heritage assets

Heritage assets, which are culturally significant resources, and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives.

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### 1.11 Heritage assets (continued)

#### Initial 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. 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.

#### Impairments.

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

#### Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

#### 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.

### 1.12 Financial instruments

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument. The entity recognises financial assets using trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument meets the relevant definitions.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

#### Initial measurement

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.

#### Subsequent measurement.

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost. All financial assets and financial liabilities are measured after initial recognition using the following categories:

- a) financial instruments at fair value:
  - derivatives.
  - combined instruments that are designated at fair value.



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## Accounting Policies

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### 1.12 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 instrument costs.

#### b) Financial instruments at amortised cost

:

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.

#### (c) Financial Instrument at cost

Investments in residual interest, which do not have quoted market prices, and for which fair value cannot be determined reliably

.

The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

### 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.

### Impairments

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

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

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.

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### 1.12 Financial instruments (continued)

#### 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.

##### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when the obligation 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).

#### Policies relating to specific financial instruments

##### Investments at amortised cost

Investments which include fixed deposits and short-term deposits invested in registered commercial banks are categories as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is credited to the Statement of Financial Performance.

##### Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

##### Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of

# Blue Crane Route Local Municipality (EC 102)

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### 1.12 Financial instruments (continued)

trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance accounts.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

#### Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost. Trade payables are recognised VAT included.

#### Other financial assets

These include loans receivable and initially measured at fair value plus transaction costs that are directly attributable to the acquisition and subsequently measured at amortised cost.

### 1.13 Leases

#### Finance leases - lessee

##### Initial recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

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

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

##### Subsequent measurement

Subsequent to initial recognition the finance lease liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

Finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished.

The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

#### Operating leases - lessor

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease.

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

An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

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### 1.13 Leases (continued)

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue. Income for leases is disclosed under revenue in the statement of financial performance.

#### Operating leases - lessee

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position.

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.

### 1.14 Inventories

#### Initial recognition and measurement

Inventories are initially measured at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their required location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage. Where inventory is acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress (WIP) and finished goods (FG), are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value.

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.

#### Derecognition

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

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.15 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return..

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

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

#### Identification

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

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

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

#### Value in use

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

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

#### Discount rate

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

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash generating unit to which the asset belongs (the asset's cashgenerating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

Cash generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash generating unit is determined on a basis consistent with the way the recoverable amount of the cash generating unit is determined.

An impairment loss is recognised for a cash generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cashgenerating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable)
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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

#### Reversal of impairment loss

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

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

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

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

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

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

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

### 1.16 Employee benefits

#### 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 are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

#### Post-employment benefits

The entity provides post-employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

#### Defined contribution plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

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### 1.16 Employee benefits (continued)

#### Post-retirement Medical Obligations

The municipality provides post-retirement medical benefits by subsidising the medical contributions of certain retired staff members according to the rules of the medical aid funds. Council pays 70% of the contributions and the remaining 30% is paid by the members.

The entitlement to post-retirement medical 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, in accordance with GRAP 25 - "Employee Benefits". The plan is unfunded.

The contributions are recognised in the statement of financial performance when the employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value of the plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of minimum funding requirements. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries, and are recognised in the Statement of Financial Performance upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

### 1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

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).

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

### 1.18 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.



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### 1.18 Revenue from exchange transactions (continued)

#### Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- (a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (b) The amount of revenue can be measured reliably; and
- (c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

#### Specific exchange revenue sources

Service charges relating to electricity and water are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied on a monthly based.

Rental income arising on facilities and equipment is accounted for on a straight-line basis over the lease terms on on-going leases.

License fees and permits are recognised in accordance with the substance of the agreements entered into.

#### Measurement

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

### 1.19 Revenue from non-exchange transactions

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.

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.19 Revenue from non-exchange transactions (continued)

#### Recognition

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount and once all the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information available from the courts, it is not possible to measure this revenue in the invoicing period.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

#### Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor

### 1.20 Borrowing costs

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

### 1.21 Expenditure - Operation Cost

An operating expense is a day-to-day expense such as sales and administration, or research & development, accounting expenses, licence fees, advertising, office expenses, utilities, such as telephone, insurance, property management, travel and vehicle expenses.

### 1.22 Expenditure - Bulk Purchases

Bulk purchases of Electricity and Water from Eskom (Including alternative service providers) and Water sources such as Water Boards and other providers.

### 1.23 Expenditure - Contracted Services

This expenditure type distinguishes between Outsourced services, Contractors and Professional and Special services.

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.24 Expenditure - Inventory Consumed

The amount of inventories recognised as an expense during the period. GRAP 12.45(d). The amount of inventories recognised as an expense during the period, which is often referred to as cost of sales, consist of those costs previously included in the measurement of inventory that has now been sold, exchanged or distributed, and unallocated production overheads and abnormal amounts of production cost of inventories. (Grap 12.47).

### 1.25 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No.56 of 2003), and includes:

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act;

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.26 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.27 Irregular expenditure

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

### 1.28 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and other entity are subject to common control.

Transactions between related parties other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances are disclosed within the annual financial statements.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.29 Taxes - Value added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position. The Municipality is registered at SARS for VAT on the payment basis.

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.30 Capital Commitments

Capital commitments disclosed in the financial statements represents the contractual balance committed to the capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

### 1.31 Consumer deposits

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in-line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

### 1.32 Post-reporting reporting date

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

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

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

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

### 1.33 Segment information

A segment is an activity of an entity:

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

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

### 1.34 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).

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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### 2. New standards and interpretations

#### 2.1 Standards of General Recognised accounting Practice (GRAP) and Interpretations (GRAP) issued and effective

##### Standard/ Interpretation:

- GRAP 1 Presentation of Financial Statements (as revised in 2010)
- GRAP 2 Cash Flow Statements (as revised in 2010)
- GRAP 3 Accounting Policies, Changes in accounting Estimates and Errors (as revised in 2010)
- GRAP 5 Borrowing Costs (as revised in 2013)
- GRAP 9 Revenue from exchange Transactions (as revised in 2010)
- GRAP 10 Financial Reporting in Hyperinflationary Economies (as revised in 2010)
- GRAP 11 Construction Contracts (as revised in 2010)
- GRAP 12 Inventories (as revised in 2010)
- GRAP 13 Leases (as revised in 2010)
- GRAP 14 Events After the Reporting Date (as revised in 2010)
- GRAP 16 Investment Property (as revised in 2010)
- GRAP 17 Property, Plant and Equipement (as revised in 2010)
- GRAP 18 Segment Reporting (issued in 2011)
- GRAP 19 Provisions Contigent Liabilities and Contigent Assets (as revised in 2010)
- GRAP 20 Related party Disclosures
- GRAP 21 Impairment of Non-cash -gerating Assets
- GRAP 23 Revenue from Non-exchange Transactions
- GRAP 24 Presentation of Budget Information in Fianancial statements
- GRAP 25 Employee Benefits
- GRAP 26 Impairment of Cash
- GRAP 27 Agriculture
- GRAP 31 Intangible Assets
- GRAP 32 Service Concession Arrangement Grantor
- GRAP 34 Separate Financial Statements Replaced GRAP 6
- GRAP 35 Consolidated Financial Statements Replaced GRAP 6
- GRAP 36 Investments in Associates and Joint Ventures Replaced GRAP 7
- GRAP 37 Joint Arrangements Replaced GRAP 8
- GRAP 38 Disclosure of Interest in Other Entities Replaced GRAP 8
- GRAP 100 Discontinued Operations (as revised in 2013)
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- GRAP 105 Transfer of Functions Between Entities Under Common Control
- GRAP 106 Transfer of Functions Between Entries Not Under Common Control
- GRAP 107 Mergers
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents
- GRAP 110 Living and Non-living Resources

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	06 September 2022	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• GRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2023	Unlikely there will be a material impact

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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

• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• GRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

### 3. Inventories

Housing in process	55 080	55 080
Consumable stores	1 033 902	940 159
Water	160 440	158 129
	<u>1 249 422</u>	<u>1 153 368</u>

Stores issues amounted to R and R 1 235 728 (2021).

No Inventory write downs were required for the year.

No inventory were pledged as security.

No amount included in inventory is carried at current replacement cost or NRV.

### 4. Other receivables from exchange transactions

Deposits ( Eskom)	859 304	946 356
Government Grants and Subsidies: Department of Human Settlement	158 842	158 842
Accumulated interest on investments	106 133	57 658
Other receivables	221 364	29 933
Provision for bad debts: Other Receivables	(29 933)	(29 933)
	<u>1 315 710</u>	<u>1 162 856</u>

The ageing of other receivables from exchange transactions and not impaired is as follows:

Current (0-30days)	106 133	172 161
91-120 days	-	32 763
>121 days	1 209 577	957 932

### Trade and other receivables pledged as security

Other receivables were not pledged as security.

Other receivables is a financial assets at amortised cost.

### Credit quality of trade and other receivables

The credit quality of trade and other receivables from exchange transactions that are neither past due nor impaired can be assessed by reference to historical trends and other available information.

Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>5. Other receivables</b>		
Property Rates	11 757 999	8 990 479
Other receivables	236 689	310 497
	<b>11 994 688</b>	<b>9 300 976</b>
<b>Property Rates</b>		
Property Rates: Statutory	7 885 550	6 503 261
Property Rates: All Other Categories	32 407 284	22 627 774
Provision for bad debts: Property rates	(28 534 836)	(20 140 556)
	<b>11 757 998</b>	<b>8 990 479</b>
<b>Property rates age analysis: Statutory</b>		
Current rates (0 - 30 days)	10 056	242 837
31 - 60 days	6 570	35
61 - 90 days	6 585	2
91 - 120 days	6 633	2
> 121 days	7 855 706	6 260 385
	<b>7 885 550</b>	<b>6 503 261</b>
<b>Property Rates age analysis : All other Categories</b>		
Current rates (0 - 30 days)	289 694	1 614 651
31 - 60 days	120 598	108 888
61 - 90 days	95 328	82 610
91 - 120 days	100 997	71 239
> 121 days	31 800 667	21 131 184
	<b>32 407 284</b>	<b>23 008 572</b>
<b>Credit quality of other receivables from non-exchange transactions</b>		
The credit quality of other receivables from non-exchange transactions that are neither past due nor due nor impaired can be assessed by reference to historical trends and other available information.		
Although credit quality can be assessed the municipality did not apply any methods to the credit quality.		
<b>Allowance for impairment: Property rates</b>		
Impairment balance prior year	(20 140 556)	(12 113 087)
Contributions to provision	(8 394 280)	(8 027 469)
	<b>(28 534 836)</b>	<b>(20 140 556)</b>
<b>Property rates : Statutory</b>		
Rates are charged on Statutory properties according to the Property Rates Act nr 6 of 2004. Reading together with Government Gazette nr 32061 dated 27 March 2009.		
No debt impairment is calculated on Statutory rates receivables.		
Interest is charged at prime plus 1 percent which was 9.25% at 30 June 2022.		
<b>Other receivables</b>		
Employees overpayment on back pay	231 831	231 831
Provision for bad debts: Employees overpayment	(231 831)	(231 831)
Insurance claims	17 121	17 121
Provision for bad debts: Insurance claims	(17 121)	(17 121)
Employee overpayments	50 714	50 714
SARS UIF and SDL	185 975	259 783
	<b>236 689</b>	<b>310 497</b>

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>5. Other receivables (continued)</b>		
The amount of impairment for Property Rates was R 28 301 447 as at 30 June 2022 (2021: R 20 140 556). The amount of impairment for other receivables was R 248 952 as at 30 June 2022 (2021: R 248 952). Other receivables from non-exchange transactions is a financial assets at amortised cost. Other receivables from non-exchange transactions were not pledged as security.		
<b>Other receivables from non-exchange past due but not impaired</b>		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	322 197	1 863 022
2 months past due	109 403	105 181
3 months past due	83 875	75 988
Older than 3 months	11 496 120	7 332 583
<b>Other receivables from non-exchange transactions past due but not impaired</b>		
Older than 3 months	236 689	310 497
<b>6. Trade receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	30 343 681	28 125 049
Water	30 159 753	24 864 827
Sanitation	3 542 697	3 269 334
Sewerage	11 362 689	9 330 220
Refuse	21 392 646	18 040 744
Other	5 743 229	3 849 585
	<b>102 544 695</b>	<b>87 479 759</b>
<b>Trade receivables pledged as security</b>		
Trade receivables were not pledged as security. Trade receivables is a financial assets at amortised cost.		
<b>Less: Allowance for impairment</b>		
Electricity	(12 338 384)	(9 096 179)
Water	(26 112 802)	(20 716 909)
Sanitation	(3 487 789)	(3 086 372)
Sewerage	(10 118 846)	(8 061 203)
Refuse	(19 670 647)	(15 897 287)
Other	(5 363 948)	(2 416 183)
	<b>(77 092 416)</b>	<b>(59 274 133)</b>
<b>Net balance</b>		
Electricity	18 005 297	19 028 870
Water	4 046 951	4 147 918
Sanitation	54 908	182 962
Sewerage	1 243 843	1 269 017
Refuse	1 721 999	2 143 457
Other	379 281	1 433 402
	<b>25 452 279</b>	<b>28 205 626</b>
<b>Electricity</b>		
Current (0 -30 days)	10 615 567	12 628 421
31 - 60 days	1 781 519	1 821 198



# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>6. Trade receivables from exchange transactions (continued)</b>		
61 - 90 days	1 029 165	889 149
91 - 120 days	914 347	660 121
> 121 days	16 003 084	12 126 161
Less: Impairment	(12 338 385)	(9 096 180)
	<b>18 005 297</b>	<b>19 028 870</b>
<b>Water</b>		
Current (0 -30 days)	2 396 745	2 143 727
31 - 60 days	1 226 418	552 329
61 - 90 days	1 017 852	727 594
91 - 120 days	517 820	441 705
> 121 days	25 000 918	20 999 472
Less: Impairment	(26 112 802)	(20 716 909)
	<b>4 046 951</b>	<b>4 147 918</b>
<b>Sanitation</b>		
Current (0 -30 days)	40 531	145 601
31 - 60 days	28 754	26 860
61 - 90 days	29 492	26 615
91 - 120 days	29 230	26 523
> 121 days	3 414 700	3 043 734
Less: Impairment	(3 487 799)	(3 086 371)
	<b>54 908</b>	<b>182 962</b>
<b>Sewerage</b>		
Current (0 -30 days)	617 757	577 460
31 - 60 days	285 809	230 101
61 - 90 days	267 091	202 140
91 - 120 days	245 459	173 446
> 121 days	9 946 573	8 147 073
Less : Impairment	(10 118 846)	(8 061 203)
	<b>1 243 843</b>	<b>1 269 017</b>
<b>Refuse</b>		
Current (0 -30 days)	963 075	1 009 766
31 - 60 days	448 383	380 225
61 - 90 days	423 099	336 414
91 - 120 days	390 955	314 935
> 121 days	19 167 133	15 999 404
Less : Impairment	(19 670 646)	(15 897 287)
	<b>1 721 999</b>	<b>2 143 457</b>
<b>Other</b>		
Current (0 -30 days)	282 404	106 852
31 - 60 days	298 845	108 305
61 - 90 days	324 150	33 460
91 - 120 days	193 220	563 375
> 121 days	4 644 610	3 037 593
Less: Impairment	(5 363 948)	(2 416 183)
	<b>379 281</b>	<b>1 433 402</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	14 916 079	16 611 827

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>6. Trade receivables from exchange transactions (continued)</b>		
31 - 60 days	4 069 728	3 119 018
61 - 90 days	3 090 849	2 215 372
91 - 120 days	2 291 031	2 180 105
> 121 days	78 695 229	63 380 338
	<u>103 062 916</u>	<u>87 506 660</u>
Less: Allowance for impairment	(71 800 117)	(59 274 133)
	<b><u>31 262 799</u></b>	<b><u>28 232 527</u></b>

### Reconciliation of debt impairment provision

Balance at beginning of the year	(59 274 133)	(50 005 847)
Net movement of the provision for the year	(12 525 984)	(9 268 286)
	<b><u>(71 800 117)</u></b>	<b><u>(59 274 133)</u></b>

### Fair value of trade receivables from exchange transactions

Trade receivable from exchange transactions	31 262 789	28 532 527
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### Trade receivables impaired

As of 30 June 2022, consumer debtors of R 6 172 082 (2021: R 4 291 415) were impaired and provided for.

The amount of the provision was R 71 800 117 as of 30 June 2022 (2021: R 59 274 133).

### Trade receivables past due but not impaired

The ageing of amounts for exchange transactions past due but not impaired is as follows:

1 month past due	10 741 743	10 527 443
2 months past due	3 573 692	2 824 015
3 months past due	2 683 204	1 801 523
Older than 3 months	1 781 701	11 566 902

### Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 748	1 732
Bank balances	901 131	5 452 944
Short-term deposits	20 521 911	20 230 456
	<b>21 425 790</b>	<b>25 685 132</b>

#### Prior Period adjustment

Balance as previously reported

No restrictions exist with regard to the use of cash.

#### Cash and cash equivalents pledged as collateral

No cash and cash equivalents (or portions thereof) was pledged as security for any financial liabilities

#### 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
ABSA Bank - Fixed deposit - 2053825035	7 500	7 500	7 500	7 500	7 500	7 500
Nedbank - Money market - 1263036023	1 932	2 442	2 844	1 932	2 442	2 844
Nedbank - Fixed deposit - 18312491	4 600	4 600	4 600	4 600	4 600	4 600
Nedbank - Money market - 1263034756	86 164	85 382	84 802	86 164	85 382	84 802
ABSA - Cheque account - 2200000008	840 461	3 164 122	785 991	901 131	3 164 122	785 991
FNB - Cheque account - 62541421046	-	2 288 821	8 157 636	-	2 288 821	8 192 330
ABSA - Call Account - 4099838357	19 807 724	20 130 532	-	19 807 724	20 130 532	-
FNB - Call account - 6259597005	-	-	802 134	-	-	802 134
ABSA Fixed deposit - 2079809548	613 992	-	-	613 992	-	-
<b>Total</b>	<b>21 362 373</b>	<b>25 683 399</b>	<b>9 845 507</b>	<b>21 423 043</b>	<b>25 683 399</b>	<b>9 880 201</b>

The municipality has a guarantee at ABSA bank to the value of R6 000 (2021: R6 000) relating to the personal bonds of one municipal employee.

ABSA Bank: Account nr 2079809548 (Bank statement and Cash Book)

The full investment of R613 992 was pledged as security pending a labour court case, this investment will mature in the next 12 months, the maturity date for the investment is the 12th of May 2023 thus the reclassification from prior year Investments to Cash and Cash equivalents in the current year under review.

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 8. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property at cost	66 430 888	(26 562 172)	39 868 716	66 430 888	(24 520 210)	41 910 678

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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Figures in Rand 2022 2021

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### 8. Investment property (continued)

#### Reconciliation of investment property - 2022

	Opening balance	Depreciation	Total
Land	12 085 655	-	12 085 655
Farms	9 046 000	-	9 046 000
Buildings	20 779 028	(2 041 962)	18 737 066
	<b>41 910 683</b>	<b>(2 041 962)</b>	<b>39 868 721</b>

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# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 8. Investment property (continued)

#### Reconciliation of investment property - 2021

	Opening balance	Depreciation	Total
Land	12 085 655	-	12 085 655
Farms	9 046 000	-	9 046 000
Buildings	22 820 990	(2 041 962)	20 779 028
	<b>43 952 645</b>	<b>(2 041 962)</b>	<b>41 910 683</b>

Rental revenue from Investment property	587 118	612 984
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Direct operating expenses arising from investment property that generated rental revenue: Rnil (2022: Rnil)

#### Pledged as security

No investment property have been pledged as security for loans.

### 9. 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	34 826 059	-	34 826 059	34 826 059	-	34 826 059
Buildings	45 833 910	(15 471 003)	30 362 907	45 833 910	(12 894 654)	32 939 256
Community assets	60 675 895	(20 929 801)	39 746 094	55 984 475	(18 015 737)	37 968 738
Plant and equipment	3 869 300	(2 029 353)	1 839 947	3 812 371	(1 520 899)	2 291 472
Furniture and fixtures	3 548 485	(3 171 136)	377 349	3 548 485	(3 107 084)	441 401
Motor vehicles	16 026 308	(12 970 676)	3 055 632	16 438 464	(12 238 254)	4 200 210
Office equipment	5 943 142	(4 533 513)	1 409 629	4 862 334	(4 085 419)	776 915
Infrastructure	946 098 502	(265 997 312)	680 101 190	928 558 260	(219 141 788)	709 416 472
WIP	51 239 295	-	51 239 295	42 646 205	-	42 646 205
Landfill sites	10 596 819	(10 596 819)	-	10 967 293	(10 550 510)	416 783
<b>Total</b>	<b>1 178 657 715</b>	<b>(335 699 613)</b>	<b>842 958 102</b>	<b>1 147 477 856</b>	<b>(281 554 345)</b>	<b>865 923 511</b>

## Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	34 826 059	-	-	-	-	-	34 826 059
Buildings	32 939 256	-	-	-	(2 576 349)	-	30 362 907
Community Assets	37 968 738	2 900 000	-	1 791 420	(2 904 106)	(9 958)	39 746 094
Plant and machinery	2 291 472	56 929	-	-	(504 025)	(4 429)	1 839 947
Furniture and fixtures	441 401	-	-	-	(64 052)	-	377 349
Motor vehicles	4 200 210	-	(157 730)	-	(1 007 629)	20 781	3 055 632
Office equipment	776 915	1 086 394	-	-	(451 902)	(1 778)	1 409 629
Infrastructure	709 416 472	1 291 600	-	16 248 642	(45 655 311)	(1 200 213)	680 101 190
WIP	42 646 205	26 633 152	-	(18 040 062)	-	-	51 239 295
Landfill sites	416 783	(370 476)	-	-	(46 307)	-	-
	<b>865 923 511</b>	<b>31 597 599</b>	<b>(157 730)</b>	<b>-</b>	<b>(53 209 681)</b>	<b>(1 195 597)</b>	<b>842 958 102</b>

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	34 826 059	-	-	-	-	-	34 826 059
Buildings	35 515 605	-	-	-	(2 576 349)	-	32 939 256
Community Assets	40 802 340	-	-	-	(2 833 602)	-	37 968 738
Plant	2 359 719	559 283	(91 198)	-	(536 332)	-	2 291 472
Furniture and fixtures	432 398	160 954	(70 137)	-	(81 395)	(419)	441 401
Motor vehicles	5 779 800	202 365	(158 161)	-	(1 613 755)	(10 039)	4 200 210
Office equipment	2 159 038	206 189	(75 533)	(893 244)	(619 535)	-	776 915
Infrastructure	729 328 809	1 016 625	-	25 050 046	(45 898 008)	(81 000)	709 416 472
WIP	41 575 449	27 429 156	-	(26 358 400)	-	-	42 646 205
Landfill Sites	1 276 725	(732 269)	-	-	(127 673)	-	416 783
	<b>894 055 942</b>	<b>28 842 303</b>	<b>(395 029)</b>	<b>(2 201 598)</b>	<b>(54 286 649)</b>	<b>(91 458)</b>	<b>865 923 511</b>

#### Pledged as security

No assets pledged as security.

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

##### Carrying value of property, plant and equipment where construction or development has been halted during the current reporting period

The Pounds – (Work in Progress)

245 121

Reasons: Initially the halting of the construction was as a result of budget constraints (no funding available). The seeding of money on votes and SCM process challenges also contributed.

The construction was then further delayed after funding became available by reason that communication received from National Treasury regarding the Preferential Procurement Regulations 2017 that no tenders must be advertised after 16 February 2022.

No impairment loss has been recognised in relation to this asset.



# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

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

Pearston Water Treatment Works – (work In Progress) 33 148 013 -

The SCADA, the electrical management system of the plant is not fully functional hence delaying the commissioning and issuing of the takeover certificate.

It is a highly sensitive WTW to the extent where it was being constructed the DPW had a lot of challenges. The WTW was designed without proper consultation hence the facility is currently unusable.

No impairment loss has been recognised in relation to this asset.

33 393 134 -

### Reconciliation of Work-in-Progress 2022

	Infrastructure Assets	Community Assets	Other Assets	Total
Opening balance	38 969 499	3 431 584	-	42 401 083
Additions/capital expenditure	23 345 943	3 287 209	-	26 633 152
Other assets	-	-	245 121	245 121
Transferred to completed items	(16 248 642)	(1 791 420)	-	(18 040 062)
	<u>46 066 800</u>	<u>4 927 373</u>	<u>245 121</u>	<u>51 239 294</u>

### Reconciliation of Work-in-Progress 2021

	Infrastructure Assets	Community Assets	PPE - Building	Total
Opening balance	38 164 047	3 112 440	298 961	41 575 448
Additions/capital expenditure	27 163 852	265 304	-	27 429 156
Transferred to completed items	(26 358 400)	-	-	(26 358 400)
	<u>38 969 499</u>	<u>3 377 744</u>	<u>298 961</u>	<u>42 646 204</u>

### Expenditure incurred to repair and maintain property, plant and equipment

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

Maintenance of assets 5 866 151 880 027

### Heritage assets

[Where the entity holds heritage assets, but has not accounted for such assets using GRAP 17 or using an accounting policy based on GRAP 103, consider whether disclosure, including a description of the nature and extent, of these assets is useful to the users of the annual financial statements.]

### 10. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	7 446	(6 205)	1 241	7 446	(4 344)	3 102

### Reconciliation of intangible assets - 2022

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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Figures in Rand	2022	2021
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### 10. Intangible assets (continued)

	Opening balance	Amortisation	Total
Computer software	3 102	(1 861)	1 241

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# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 10. Intangible assets (continued)

#### Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	4 963	(1 861)	3 102

#### Other information

Fully amortised intangible assets still in use.

Certain computer software packages (not material to the municipality's operations) with finite useful lives which have been fully depreciated are still in use by the municipality to some extent.

### 11. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage Assets	458 067	-	458 067	458 067	-	458 067

#### Reconciliation of heritage assets 2022

	Opening balance	Total
Historical buildings	458 067	458 067

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 11. Heritage assets (continued)

#### Reconciliation of heritage assets 2021

	Opening balance	Total
Heritage Assets	458 067	458 067

### 12. Employee benefit obligations

#### Post employment medical aid

##### Define benefit plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

In-service members will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme

All continuation members and their eligible dependents receive a subsidy of either 60% or 70%.

Upon a member's death-in-service or death-in-retirement the surviving dependants will continue to receive the same subsidy.

All subsidies are suspended to remain to a maximum of R5 007 for the year ending 30 June 2023. The maximum subsidy amount has been assumed to increase in the future at 75% of salary inflation.

##### Principal assumptions

##### **Discount rate**

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefits payments, current market rates of the appropriate term should be used to discount shorter term payments and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 11.50% per annum has been used. The corresponding index-linked yield at this term is 4,08%.

These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the Johannesburg stock after the market close on 30 June 2022,

##### **Financial assumptions**

Discount rates	11,50 %	10,08 %
Health care cost inflation rate	8,15 %	6,73 %
Net-of health-care-cost-inflation discount rate	3,10 %	3,14 %
Maximum subsidy inflation rate	5,74 %	4,67 %
Net-of-maximum-subsidy-inflation discount rate	5,45 %	5,17 %

The next contribution rate increase is assumed to occur at 1 January 2023,

##### **Demographic assumptions**

Average retirement age 62 (males)/ 59 (Females)

Continuation of membership at retirement	75 %	75 %
Proportion with a spouse dependant at retirement	60 %	60 %

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>12. Employee benefit obligations (continued)</b>		
<b>Accrued liability values</b>		
<b>Carrying value</b>		
Opening Accrued Liability	22 799 000	20 317 000
Service cost	661 000	491 000
Interest cost	2 249 000	2 050 000
Benefits paid	(936 484)	(851 280)
Actuarial (gain)/loss recognised in the year	(81 516)	792 280
	<b>24 691 000</b>	<b>22 799 000</b>
Non-current liabilities	23 583 000	21 790 000
Current liabilities (Estimate of benefits payments expected in the next annual period)	1 108 000	1 009 000
	<b>24 691 000</b>	<b>22 799 000</b>

The total liability has increased by 8,3% (or R1 892 000) since the last valuation

### Calculation of actuarial gains and losses

The extent of The extent of unexpected increases or decreases in the liability over the period from the previous valuation date to the current can be summarised in the following main components:

Basic changes: nett effect of changes in nett discounts rates	(192 000)	1 440 000
Increase in assumed in-service non-member take-up rate	-	614 000
Subsidy increases lower than assumed	(457 000)	(476 000)
Changes to membership profile different from assumed	640 000	(705 000)
Actual benefits vesting ,lower than expected	(72 516)	(80 720)
<b>Actuarial (Gain)/Loss for the period</b>	<b>(81 516)</b>	<b>792 280</b>

### Net expense recognised in the statement of financial performance

Current service cost	661 000	491 000
Intesrest	2 249 000	2 050 000
Benefits paid	(936 484)	(851 280)
Total included in employee related costs	1 973 516	<b>1 689 720</b>
Actuarial (Gain)/Loss recognised in statement of financial performance	(81 516)	<b>792 280</b>
	<b>1 892 000</b>	<b>2 482 000</b>

Estimate of contributions expected to be paid to the plan in the next financial year	(666 000)	(661 000)
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### Sensitivity analysis on the accrued liability for the year ending 30/06/2022(R millions)

#### Assumptions

	Change	Eligible employees	Continuation members	Total	% change against Central Assumptions
Central Assumptions	-	10,770	13,921	24,691	-
Health Care	1 %	11,755	14,766	26,521	7 %
	-1 %	9,620	12,960	22,580	-9 %
Discount rate	1 %	9,333	12,734	22,067	-11 %
	-1 %	12,556	15,319	27,875	13 %
Post-retirement mortality	1yr	10,513	13,519	24,032	-3 %

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand		2022	2021		
<b>12. Employee benefit obligations (continued)</b>					
	1yr	11,022	14,319	25,341	3 %
Average retirement age	1yr	11,537	13,921	25,458	3 %
Mememrship contribution	-10 %	9,371	13,921	23,292	-6 %

### Sensitivity analysis on Current-service and Interest Costs for the year ending 30/06/2021

#### Assumptions

	Change	Current-service cost	Interest cost	Total	% change against Central Assumptions
Central Assumptions	-	661 000	2 249 000	2 910 000	-
Health Care	1 %	739 000	2 439 000	3 178 000	9 %
	-1 %	569 000	2 038 000	2 607 000	-10 %
Discount rate	1 %	558 000	2 196 000	2 754 000	-5 %
	-1 %	792 000	2 302 000	3 094 000	6 %
	1 %	646 000	2 187 000	2 833 000	-3 %
Post-retirement mortality	1yr	676 000	2 309 000	2 985 000	3 %
Average retirement age	1yr	688 000	2 324 000	3 012 000	4 %
Mememrship contribution	-10 %	578 000	2 122 000	2 700 000	-7 %

### History of liabilities, Assets and Experienced Adjustments (R millions)

#### Liability History

	30/06/2018	20/06/2019	30/06/2020	30/06/2021	30/06/2022
Accrued liability	22,656	21,942	20,317	22,799	26,491
Fair value of plan asset	0,000	0,000	0,000	0,000	0,000
Surplus/ (Deficit)	<u>(22,656)</u>	<u>(21,942)</u>	<u>(20,317)</u>	<u>(20,799)</u>	<u>(26,491)</u>

### History of experience adjustments: Gains and Losses (R millions)

#### Experience adjustments

	30/06/2018	20/06/2019	30/06/2020	30/06/2021	30/06/2022
Liabilities: (Gain)/Loss	(0,077)	(0,053)	0,102	1,262	0,110
Assets: Gain/Loss	0,000	0,000	0,000	0,000	0,000

## 13. Long Service Awards (LSA)

### Defined benefit plan

The Municipality offers employees LSA for every five years of service completed, to 45 years of service, inclusive. In the month that each "Completed Service" milestone is reached, the employee is granted a LSA.

At 30 June 2022, the Municipality had 250 employees that are entitled to LSA.

### Principal assumptions

#### Discount rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 10.67% per annum has been used. The corresponding liability-weighted index linked yield is 3,64%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the JSE after the market close on 30 June 2022.

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 13. Long Service Awards (LSA) (continued)

The duration of the total liability was estimated to be 7.50 years.

#### Financial assumptions

Discount rates	10,67 %	10,67 %
General salary inflation	7,31 %	7,31 %
Nett-effective discount rate	3,13 %	3,13 %

The salaries used in this valuation include an assumed increase on 1 July 2022 by 4.90%.  
The next contribution rate increase is assumed to occur at 1 July 2023.

#### Accrued liability values

##### Carrying value

Opening Accrued Liability	4 112 000	4 244 000
Service cost	465 000	466 000
Interest cost	341 000	261 000
Benefits paid	(512 159)	(803 367)
Actuarial (gain)/loss recognised in the year	(135 841)	(55 633)
	<b>4 270 000</b>	<b>4 112 000</b>

Non-current liabilities	3 657 000	3 624 000
Current liabilities (Estimate of benefits payments expected in the next annual period)	613 000	488 000
	<b>4 270 000</b>	<b>4 112 000</b>

The total liability has increased by 4% (or R 158 000) since the last valuation

#### Calculation of actuarial gains and losses

The extent of The extent of unexpected increases or decreases in the liability over the period from the previous valuation date to the current can be summarised in the following main components:

Basis changes: Increase in net discount rate	(74 000)	17 000
Salary increases higher than assumed	(2 000)	87 000
Changes to employee profile different from assumed	(84 000)	(113 000)
Actual benefits vesting ,lower than expected	24 159	(46 633)
<b>Actuarial (Gain)/Loss for the period</b>	<b>(135 841)</b>	<b>(55 633)</b>

#### Net expense recognised in the statement of financial performance

Current service cost	465 000	466 000
Intesrest	341 000	261 000
Benefits vesting	(512 159)	(803 367)
Total included in employee related costs	293 841	<b>(76 367)</b>
Actuarial (Gain)/Loss recognised in statement of financial performance	(135 841)	<b>(55 633)</b>
	<b>158 000</b>	<b>(132 000)</b>

Estimate of benefits vesting in the next financial year	(613 000)	(488 000)
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#### Sensitivity analysis on the accrued liability (R millions)

#### Assumptions

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 13. Long Service Awards (LSA) (continued)

	Change	Liability	% change against Central Assumptions
Central Assumptions	-	4,270	- %
General salary inflation	1 %	4,480	5 %
	-1 %	4,076	-5 %
Discount rate	1 %	4,066	5 %
	-1 %	4,495	-5 %
Average retirement age	2yr	4,834	13 %
	-2yr	3,715	-13 %
Withdrawal rates	x2,0	3,568	16 %
	x0,5	4,732	11 %

### Other assumptions

#### Assumptions

	Change	Current-service cost	Interest cost	Total	% change against Central Assumptions
Central Assumptions	-	465 000	341 000	806 000	-
General salary inflation	1 %	496 000	360 000	856 000	6 %
	-1 %	438 000	324 000	762 000	-5 %
Discount rate	1 %	441 000	359 000	800 000	-1 %
	-1 %	493 000	320 000	813 000	0 %
General salary inflation	2yr	510 000	386 000	896 000	-11 %
	-2yr	417 000	293 000	710 000	-12 %
Withdrawal rates	x2,0	357 000	287 000	644 000	-21 %
	x0,5	542 000	383 000	925 000	15 %

### History of liabilities, Assets and Experienced Adjustments (R millions)

#### Liability History

	30/06/2017	20/06/2018	30/06/2019	30/06/2020	30/06/2021
Accrued liability	4,284	4,352	4,244	4,112	4,270
Fair value of plan asset	0,000	0,000	0,000	0,000	0,000
Surplus/ (Deficit)	<b>(4,284)</b>	<b>(4,352)</b>	<b>(4,244)</b>	<b>4,112</b>	<b>(4,270)</b>

### History of experience adjustments: Gains and Losses (R millions)

#### Experience adjustments

	30/06/2017	20/06/2018	30/06/2019	30/06/2020	30/06/2021
Liabilities: (Gain)/Loss	27 550	(75 007)	116 205	(72 633)	(61 841)
Assets: Gain/Loss	0	0	0	0	0

### Total employment benefit obligation

Post-Employment Medical Aid	24 691 000	22 799 000
Long Service Awards	4 270 000	4 112 000
	<b>28 961 000</b>	<b>26 911 000</b>
Non-current liabilities	27 240 000	25 414 000
Current liabilities	1 721 000	1 497 000
	<b>28 961 000</b>	<b>26 911 000</b>



# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>14. Other financial liabilities</b>		
<b>Held at amortised cost</b>		
Standard Bank	-	443 645
On 30 June 2016, a loan of R3 300 000 was also taken up from Standard Bank for the financing of vehicles purchased during the year at a fixed interest rate of 11.55%. Installments of R443 645 will be semi-yearly payable over five years. The last installment was payable on 30 June 2021 but the payment was rejected from Standard Bank and was paid again on 1 July 2021.		
No defaults except for the above Standard Bank installment or breaches or re-negotiations of the terms and conditions occurred during the year.		
The Standard Bank loan is not secured , but the following covenants are also applicable for the R3 300 000 loan:		
Nedbank	5 109 489	-
A loan of R5 500 000 was also taken up from Nedbank during the current year for financing of capital assets. Fixed instalments are payable semi-annually at R712 44.00. The final instalment is payable on 31 December 2026.		
	<b>5 109 489</b>	<b>443 645</b>
<b>Total other financial liabilities</b>	<b>5 109 489</b>	<b>443 645</b>
<b>Non-current liabilities</b>		
At amortised cost	4 151 820	-
<b>Current liabilities</b>		
At amortised cost	957 669	443 645

## 15. Unspent conditional grants and receipts

Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as per the following table totaling R23 258 577

Where conditions have been met, the amounts were recognised as revenue and is shown under the transfer columns per the following table.

The municipality complied with all the conditions attached to the grants / allocations.

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

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

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

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	2 267 541	2 873 741
Water Services Infrastructure Grant (WSIG)	13 241 079	6 234 133
District Municipality - Various Projects	638 209	638 209
Dr WH Craib Trust	13 015	13 015
District Municipality - Fire and Disaster	1 772 151	593 923
Expanded Public Works Programme (EPWP)	3 165 915	3 400 000
Integrated National Electrification Grant (INEP)	-	3 179 914
Eney efficiency and demand management	1 234 282	-
	<b>22 332 192</b>	<b>16 932 935</b>

Grant description	Unspent balance 2021	Receipts	Adjustments /written off	Transfer operational expenditure	Transfer capital expenditure	Unspent balance 2022
Municipal Infrastructure Grant (MIG)	2 873 742	14 892 000	(400 267)	(802 855)	(14 295 077)	2 267 541
Water Service Infrastructure Grant (WSIG)	6 234 133	18 000 000	(735 320)	-	(10 257 734)	13 241 079
District Municipality: Infrastructure Grant	9 772	-	-	-	-	9 772
Finance Management Grant (FMG)	-	2 450 000	-	(2 450 000)	-	-
District Municipality: Youth and other tourism upgrades	262 838	-	-	-	-	262 838
Dr WH Craib Trust	13 015	-	-	-	-	13 015
District Municipality: Fire and Disaster	593 923	1 478 227	-	(300 000)	-	1 772 150
Depart Sport : Library admin cost	-	2 300 000	-	(2 300 000)	-	-
Expanded Public Works Programme (EPWP)	-	1 369 000	-	(1 369 000)	-	-
Expanded Public Works Programme (EPWP - Community Services)	3 400 000	2 381 000	-	(2 615 085)	-	3 165 915
ACIP Water conservation	42 520	-	-	-	-	42 520

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand			2022			2021
<b>15. Unspent conditional grants and receipts (continued)</b>						
Integrated National Electrification Program (INEP)	3 179 914	-	(3 179 914)	-	-	-
Abafazi Rural Project (LED)	66 208	-	-	-	-	66 208
Resourcing Youth Centre (LED)	91 571	-	-	-	-	91 571
Water Tanks: District Municipality	157 299	-	-	-	-	157 299
Moral Regeneration Movement Programme	8 000	-	-	-	-	8 000
Energy Efficiency and Demand Side Management Grant (EEDM)	-	3 000 000	-	-	(1 765 718)	1 234 282
Equitable Share	-	58 178 500	-	(58 178 500)	-	-
Amakhala Emonyeni Cookhouse Community Trust	-	1 900 000	-	-	(1 900 000)	-
Cacadu Development Agency	-	1 000 000	-	-	(1 000 000)	-
	<b>16 932 935</b>	<b>106 948 727</b>	<b>(4 315 501)</b>	<b>(68 015 440)</b>	<b>(29 218 529)</b>	<b>22 332 190</b>

### Movement during the year

Balance at the beginning of the year	18 362 858	2 254 113
Receipts during the year	104 048 727	119 207 680
Income recognition during the year	(100 079 392)	(104 528 858)
	<b>22 332 193</b>	<b>16 932 935</b>

The municipality received certain grant allocations during the year from various public entities (amounts disclosed above per project / allocation) - these receipts / grant allocations had to be utilised for the following main purposes:

National Treasury (MIG, WSIG, & FMG):	Upgrade of Infrastructure (MIG and WSIG) and building financial capacity and learnerships (FMG)
Sarah Baardman District municipality:	Fire fighting, LED Projects and Infrastructure grants
Eastern Cape Department of Roads and Public Works:	Labour intensive projects to promote job creation for unemployed people (EPWP)
Department of Sport and Agriculture:	Administration cost for Libraries

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

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

EEDM	Energy Efficiency and Demand Side Management for electricity network
INEP	Electricity upgrading

### 16. Provisions

#### Reconciliation of provisions - 2022

	Opening Balance	Interest Cost/Unwinding of Interest	Fair Value Adjustment	Total
Environmental rehabilitation	26 272 112	2 924 085	(2 898 470)	26 297 727

#### Reconciliation of provisions - 2021

	Opening Balance	Interest Cost/Unwinding of Interest	Fair Value Adjustment	Total
Environmental rehabilitation	25 142 850	2 374 743	(1 245 481)	26 272 112

#### Non-current liabilities

26 297 727 26 272 112

#### Environmental rehabilitation provision

The above rehabilitation provision includes the three towns of Somerset East, Cookhouse and Pearston.

All landfill sites financial implications and valuations are determined in terms of Section 28 of the National Environmental Management Act no. 107 of 1998.

There is no planning for closure and rehabilitation of the landfill sites within the next five years and this is likely to only commence around 2030.

The effective date of all valuations was 30 June 2022 and was done and certified by Mr. T. Duvenhage, Professional Engineer, from Zutari (Pty) Ltd.

In Calculating the provision for rehabilitation, the following have been included:

- Direct contract costs
- Indirect Professional Fees
- Indirect disbursements
- Escalation

No rehabilitation has taken place on Cookhouse or Pearston landfill sites during the current year, while covering has partly taken place at Somerset East landfill site

Fencing at Cookhouse (316m) and Pearston (621m) and Somerset East (121m) has been vandalised and needs regular replacing

#### Monetary values for landfill sites

Cookhouse	1 551 635	1 552 083
Pearston	4 455 642	4 452 798
Somerset East	20 290 449	20 267 230
	<u>26 297 726</u>	<u>26 272 111</u>

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>17. Payables from exchange transactions</b>		
Trade payables	32 620 927	30 246 507
Payments received in advanced	1 143 382	983 560
Traffic Licence Suspense	12 468	-
Accrued leave pay	6 144 972	6 697 826
Accrued 13th cheque	2 090 784	2 028 505
Retentions on capital projects	1 204 562	1 693 428
Previous employees of Development Agency	813 695	813 695
Unidentified bank deposits	12 598	11 073
Deposits received - (Town Hall )	221 521	207 767
Deposits Receieved - (Chalets)	39 800	41 446
	<b>44 304 709</b>	<b>42 723 807</b>

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 18. Trade and other payable from non-exchange

Trade and other: Principal-Agency arrangement (Traffic Licences)	102 569	156 366
Trade and other: Principal-Agency arrangement (Housing Project)	926 385	1 429 923
	<u>1 028 954</u>	<u>1 586 289</u>

### Reconciliation : Reconciliation: Principal-Agency arrangement (Traffic Licences)

Opening balance	156 366	204 137
Total licence and transaction fees received from third parties	2 310 217	2 602 735
Total licence and transaction fees paid over to Principal (Department of Transport)	(2 364 014)	(2 650 506)
	<u>102 569</u>	<u>156 366</u>

These liability relates to transactions between a Principal-Agent relationship of which the Municipality is the Agent for Department of Transport to issue motor vehicle licences to third parties. The Municipality receive agency fees of 19% of the total income. This revenue is included in note 25 and was an amount of R845 485 (2021: R845 485). The fees are paid over to the Principal (Department of Transport) on a weekly basis. The outstanding amount at year end were paid over during the first week in July 2022.

### Reconciliation : Principal-Agency arrangement (Housing Project)

Opening balance	1 429 923	-
Payments received from Department of Human Resources	-	1 429 923
Payments paid to contractor appointed for the Housing Project	(503 538)	-
	<u>926 385</u>	<u>1 429 923</u>

These liability relates to transactions between a Principal-Agent relationship of which the Municipality is the Agent for Department of Human Resources in the Eastern Cape to build houses. The Municipality received the cost of the project in advance in 2021. The Municipality received the cost of the project in advance in 2021 and start with the project in 2022. The above balance of R926 385 is still needed to be spent in 2023.

### 19. VAT payable

VAT	<u>-</u>	<u>237 679</u>
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VAT is payable on the receipts basis. VAT is claimed from and paid over to SARS only once payment is made on a tax invoice or payment is received from debtors.

### 20. Consumer deposits

Electricity	1 450 719	1 450 736
Water	1 341 539	1 283 329
	<u>2 792 258</u>	<u>2 734 065</u>

### 21. Revenue

Property rates	23 816 440	23 350 405
Service charges	144 865 363	141 897 307
Rental of facilities and equipment	587 118	612 984
Interest earned - outstanding debtors	4 437 608	3 844 246
Interest received - external investment	935 030	591 804

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>21. Revenue (continued)</b>		
Agency services	724 977	845 485
Fines	244 539	120 785
Licences and permits	336 813	264 548
Transfers & subsidies	97 841 494	104 528 860
Gains on disposal of assets	-	1 979
Other income	3 169 495	2 891 074
	<b>276 958 877</b>	<b>278 949 477</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	144 865 363	141 897 307
Rental of facilities and equipment	587 118	612 984
Interest earned outstanding debtors	4 437 608	3 844 246
Interest received - External investment	935 030	591 804
Agency services	724 977	845 485
Gain on disposal of assets	-	1 979
Other income	3 169 495	2 891 074
	<b>154 719 591</b>	<b>150 684 879</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
Property rates	23 816 440	23 350 405
Fines, Penalties and Forfeits	244 539	120 785
Licences or permits	336 813	280 173
Transfers & Subsidies	97 841 494	104 528 860
	<b>122 239 286</b>	<b>128 280 223</b>
<b>Collectability of amounts</b>		
At the time of initial recognition of revenue it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods and services will not occur due to the municipality has an obligation to collect all revenue.		
<b>22. Property rates</b>		
<b>Revenue</b>		
Agricultural	3 923 365	4 206 132
Game Farms	8 847 404	7 469 841
Business & Commercial	2 988 144	2 429 683
Statutory Rates - All other departments	5 865 786	5 579 131
Residential	2 191 741	3 665 618
	<b>23 816 440</b>	<b>23 350 405</b>
<b>Valuations</b>		
Agricultural	7 053 964 030	7 121 449 270
Game Farms	853 471 225	855 056 225
Business & Commercial	325 148 725	278 827 725
Residential	644 648 336	656 822 936
Government - Other	636 340 810	635 509 110
	<b>9 513 573 126</b>	<b>9 547 665 266</b>

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 22. Property rates (continued)

#### Statutory property rates

Rates are charged on Statutory properties according to the Property Rates Act no 6 of 2004. Reading together with Government Gazette nr 32061 dated 27 March 2009. The tariffs of all property rates as well as the valuation date are disclosed hereunder.

#### Valuation and tariffs

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The next general valuation will be done on 1 July 2023.

Rates are levied on an annual basis with the final date for payment being 30 June 2022 (30 June 2021). Interest at prime plus 1% per annum (2021: prime plus 1% per annum), is levied on rates outstanding one month after due date.

A general rate of 0.000551 for agricultural properties, 0.009218 for business properties, 0.007878 for residential properties 0.000 for government infrastructure properties and 0.009218 for government properties is applied to property valuations to, determine assessment rates (2021: 0.000525 - agricultural properties, 0.008779 - business properties, 0.007503 - residential properties, 0.008779 - government properties). Rebates of the first R15 000 on the value of residential properties and the first 30% on the value of government infrastructure properties are granted. (2021: R15 000 - residential properties and 30% government infrastructure).

### 23. Service charges

Sale of electricity	117 003 725	114 227 451
Sale of water	13 879 238	14 847 448
Sewerage and sanitation charges	5 550 023	5 178 094
Refuse removal	8 432 377	7 644 314
	<b>144 865 363</b>	<b>141 897 307</b>

#### Electricity losses

Units (kwh)	15 329 766	19 532 758
Amount	R 15 214 682	R 16 450 205
Percentage	21 %	25 %
	-	-

#### Water losses

Units (Kl)	290 220	144 464
Amount	R 1 921 256	R 910 123
Percentage	18 %	9 %
	-	-

### 24. Interest earned - external investments

#### Interest revenue

Bank Accounts	935 030	591 804
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The amount of R935 030 (2021: R591 803) is included under revenue arising from exchange transactions.

### 25. Transfers & subsidies

#### Operating grants

Equitable share	58 178 500	65 297 000
National Treasury - Audit support	641 990	-
Finance Management Grant (FMG)	2 450 000	2 500 000
Dept. Sport: Library Grant	2 300 000	2 300 000
Expanded Public Works Programme (EPWP)	3 984 085	1 548 000
Environmental Health Subsidy (SBDM)	-	445 000



# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>25. Transfers &amp; subsidies (continued)</b>		
Sarah Baartman District Subsidy	300 000	1 205 266
Council Covid Care Contributions	-	8 416
	<b>67 854 575</b>	<b>73 303 682</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	15 063 467	16 204 260
Water Services Infrastructure (WSIG)	10 257 734	14 264 867
Integrated National Electrification Program (INEP)	-	320 086
Infrastructure Grant (SBDM)	-	435 965
Energy Efficiency and Demand Side Management Grant	1 765 718	-
Amakhala Emonyeni Cookhouse Community Trust	1 900 000	-
Cacadu Development Agency	1 000 000	-
	<b>29 986 919</b>	<b>31 225 178</b>
	<b>97 841 494</b>	<b>104 528 860</b>
<b>26. Other income</b>		
Incidental cash surpluses	4 545	12 765
Commission: Transaction handling fees	173 968	168 551
Insurance refund	486 659	435
Skills development levy refund	-	136 031
Bad debts recovered	1 547 370	1 521 463
Sub-divisions and consolidations	30 024	653
Building plan approvals	231 410	168 294
Burial fees	91 459	109 176
General/Other	210 963	312 534
Library fees	10 679	4 940
Camping fees	60 029	33 929
Connections and reconnection fees	322 389	422 303
	<b>3 169 495</b>	<b>2 891 074</b>
<b>27. Employee related costs</b>		
Basic salary and wages	64 103 479	59 529 080
Bonuses	4 070 108	4 604 129
Social contributions - Medical	2 733 349	3 341 698
Social contributions - Group life insurance	2 287	2 352
Social Contributions - Unemployment insurance	539 099	478 933
Social contributions - Bargaining council	34 773	33 866
Social contributions - Pension	9 764 013	9 310 579
Overtime	4 091 709	3 773 659
Other allowances: Non Pensionable	3 700 353	3 974 502
Leave Gratuity	-	970 838
Post-retirement benefits - Medical : Nett Service Cost	661 000	(360 280)
Long Term Service Awards: Nett Service Cost	465 000	(337 367)
Post-retirement benefits - Medical : Interest Cost	2 249 000	2 050 000
Long Term Service Awards: Interest Cost	341 000	261 000
Less: Recharge to capital works	(1 335 942)	(582 262)
	<b>91 419 228</b>	<b>87 050 727</b>
<b>Section 56 Senior Managers: Total cost per position</b>		
Municipal Manager	1 490 895	1 417 129
Chief Financial Officer	1 184 345	1 163 537
Director: Corporate Services	1 178 133	598 221

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>27. Employee related costs (continued)</b>		
Director: Community Services	1 186 308	1 163 536
Director: Technical Services	1 186 295	1 156 850
	<b>6 225 976</b>	<b>5 499 273</b>
<b>Remuneration of municipal manager : Thabiso Klaas</b>		
Annual Remuneration	1 243 113	1 243 345
Car Allowance	170 533	120 000
Remote allowance	51 767	51 767
Contributions to UIF, Medical and Pension Funds	2 125	2 017
Skill levy	14 313	-
Subsistence Allowance	8 920	-
Bargaing council	124	-
	<b>1 490 895</b>	<b>1 417 129</b>
<b>Remuneration of chief finance officer: Nigel Delo</b>		
Annual Remuneration	998 784	999 016
Car Allowance	127 912	120 000
Contributions to UIF, Medical and Pension Funds	2 125	2 017
Remote Allowance	42 504	42 504
Skills Levy	11 436	-
Subsistence Allowance	1 460	-
Bargaing council	124	-
	<b>1 184 345</b>	<b>1 163 537</b>
<b>Remuneration of Director - Corporate services: Novuko Kubone</b>		
Annual Remuneration	998 784	499 452
Car Allowance	122 920	60 000
Remote allowance	42 504	21 252
Contributions to UIF, Medical and Pension Funds	2 125	1 065
Skills Levy	11 396	-
Subsistence Allowance	280	-
Bargaing council	124	-
	<b>1 178 133</b>	<b>581 769</b>
<b>Remuneration of Director - Community services: Mandisi Planga</b>		
Annual Remuneration	960 967	961 199
Car Allowance	167 533	157 817
Remote allowance	42 504	42 503
Contributions to UIF, Medical and Pension Funds	2 125	2 017
Skills Levy	11 375	-
Subsistence Allowance	1 680	-
Bargaing council	124	-
	<b>1 186 308</b>	<b>1 163 536</b>
<b>Remuneration of Director - Technical Services: Ayanda Gaji</b>		
Annual Remuneration	797 887	798 322
Car Allowance	129 827	120 000
Remote allowance	42 504	42 503
Contributions to UIF, Medical and Pension Funds	203 023	196 025
Skills Levy	11 451	-
Subsistence Allowance	1 480	-

# Blue Crane Route Local Municipality (EC 102)

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>27. Employee related costs (continued)</b>		
Bargaing council	124	-
	<b>1 186 296</b>	<b>1 156 850</b>
<b>28. Remuneration of councillors</b>		
Mayor: BA Manxoweni	853 413	850 466
Speaker: NP Nkonyeni	576 865	371 767
Chairperson: Corporate Services - MS Kwatsha	132 500	371 767
Chairperson: Community Services - A Hufkie	134 337	369 930
Chairperson: Infrastructure - TA Grootboom	132 500	371 767
Portfolio Head: Technical Services - MK Mali	248 599	-
Portfolio Head: Community Services - JM Martin	357 926	299 491
Chief Whip: P Sonkwala	357 926	299 491
Councillors	1 648 510	1 197 965
	<b>4 442 576</b>	<b>4 132 644</b>
<b>Mayor: BA Manxoweni</b>		
Councillors Allowance	596 705	611 284
Back Pay Increase	20 631	-
Pensions Fund Contributions	43 711	46 044
Medical Aid Contributions	44 356	42 660
Fixed Travel Allowance	103 610	106 078
Councillors Cellphone Allowance	44 400	44 400
	<b>853 413</b>	<b>850 466</b>
<b>Speaker: NP Nkonyeni</b>		
Councillors Allowance	365 644	228 396
Back Pay Increase	13 078	-
Pension Fund Contributions	26 609	17 130
Fixed Travel Allowance	127 134	81 842
Councillors Cellphone Allowance	44 400	44 400
	<b>576 865</b>	<b>371 768</b>
<b>Portfolio Head: Technical Services - MK Mali</b>		
Councillors Allowance	163 252	-
Back Pay Increase	3 055	-
Fixed Travel Allowance	53 661	-
Councillors Cellphone Allowance	28 632	-
	<b>248 600</b>	<b>-</b>
<b>Portfolio Head: Community Services - JM Martin</b>		
Councillors Allowance	229 480	191 318
Back Pay Increase	8 291	-
Fixed Travel Allowance	75 756	63 773
Councillors Cellphone Allowance	44 400	44 400
	<b>357 927</b>	<b>299 491</b>
<b>Chief Whip: P Sonkwala</b>		
Councillors Allowance	194 006	162 134
Back Pay Increase	8 291	-

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>28. Remuneration of councillors (continued)</b>		
Pension Fund Contributions	34 921	29 184
Fixed Travel Allowance	76 309	63 773
Councillors Cellphone Allowance	44 400	44 400
	<b>357 927</b>	<b>299 491</b>
<b>Councillor: FP Brown</b>		
Councillors Allowance	191 318	191 318
Back Pay Increase	7 015	-
Fixed Travel Allowance	63 773	63 773
Councillors Cellphone Allowance	44 400	44 400
	<b>306 506</b>	<b>299 491</b>
<b>Councillor: C Nel</b>		
Councillors Allowance	162 134	162 134
Back Pay Increase	7 015	-
Pension Fund Contributions	29 184	29 184
Fixed Travel Allowance	63 773	63 773
Councillors Cellphone Allowance	44 400	44 400
	<b>306 506</b>	<b>299 491</b>
<b>Councillor: ZS Baskiti</b>		
Councillors Allowance	150 681	-
Back Pay Increase	4 062	-
Fixed Travel Allowance	50 227	-
Councillors Cellphone Allowance	28 632	-
	<b>233 602</b>	-
<b>Councillor: ABC Heynse</b>		
Councillors Allowance	122 262	-
Back Pay Increase	4 062	-
Pension Fund Contributions	1 112	-
Fixed Travel Allowance	41 125	-
Councillors Cellphone Allowance	28 632	-
	<b>197 193</b>	-
<b>Councillor: A Dyantyi</b>		
Councillors Allowance	123 374	-
Back Pay Increase	4 062	-
Fixed Travel Allowance	41 125	-
Councillors Cellphone Allowance	28 632	-
	<b>197 193</b>	-
<b>Councillor: TA Grootboom</b>		
Councillors Allowance	74 158	208 072
Pensions Fund Contributions	13 349	37 453
Fixed Travel Allowance	29 169	81 842
Councillors Cellphone Allowance	15 824	44 400
	<b>132 500</b>	<b>371 767</b>

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>28. Remuneration of councillors (continued)</b>		
<b>Councillor: MS Kwatsha</b>		
Councillors Allowance	81 402	228 396
Pension Fund Contributions	6 105	17 130
Fixed Travel Allowance	29 169	81 842
Councillors Cellphone Allowance	15 824	44 400
	<b>132 500</b>	<b>371 768</b>
<b>Councillor: TC Xakaxa</b>		
Councillor Allowance	63 430	177 970
Pension Fund Contributions	4 757	13 348
Fixed Travel Allowance	22 729	63 773
Councillors Cellphone Allowance	15 824	44 400
	<b>106 740</b>	<b>299 491</b>
<b>Councillor: KC Brown</b>		
Councillors Allowance	57 786	162 134
Pension Fund Contributions	10 401	29 184
Fixed Travel Allowance	22 729	63 773
Councillors Cellphone Allowance	15 824	44 400
	<b>106 740</b>	<b>299 491</b>
<b>Councillors: A Hufikie</b>		
Councillors Allowance	74 158	208 072
Pension Fund Contributions	13 349	37 453
Fixed Travel Allowance	31 006	80 005
Councillors Cellphone Allowance	15 824	44 400
	<b>134 337</b>	<b>369 930</b>
<b>Councillor: EL Miggels</b>		
Councillors Allowance	44 394	-
Back Pay Increase	1 670	-
Fixed Travel Allowance	14 798	-
Councillors Cellphone Allowance	10 303	-
	<b>71 165</b>	<b>-</b>
<b>Councillor: TW Peta</b>		
Councillors Allowance	78 487	-
Fixed Travel Allowance	26 162	-
Councillors Cellphone Allowance	18 215	-
	<b>122 864</b>	<b>-</b>
<b>29. Debt impairment</b>		
Debt impairment	23 440 982	16 458 272
Bad debts written off	6 172 083	8 899 138
	<b>29 613 065</b>	<b>25 357 410</b>

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>29. Debt impairment (continued)</b>		
<b>30. Finance charges</b>		
Overdue accounts	50 866	6 279
Annual loans	321 914	71 529
Finance leases	73 680	4 081
Interest cost - Landfill sites liability	2 924 086	2 374 742
	<b>3 370 546</b>	<b>2 456 631</b>
Interest expense is calculated using the effective interest rate.		
<b>31. Bulk purchases</b>		
Electricity - Eskom	108 082 284	98 023 205
Water	-	1 803 372
	<b>108 082 284</b>	<b>99 826 577</b>
<b>32. Contracted services</b>		
<b>Outsourced Services</b>		
Burial Services	127 005	1 800
Debt Collection Costs	1 631 256	1 046 480
Security Services	1 104 069	1 142 181
Drivers Licence Cards	85 099	74 339
Water Takers	-	13 000
<b>Consultants and Professional Services</b>		
Legal Cost	799 492	1 149 808
Infrastructure and Planning	-	1 651 068
Business and Advisory	2 190 223	1 646 009
Laboratory Services	-	14 643
<b>Contractors</b>		
Distribution of Electricity Commission	953 911	2 236 029
Maintenance of Buildings and Facilities	(3 732)	-
Maintenance of Equipment	4 410	-
Maintenance of Unspecified Assets	1 322 451	880 025
Medical Services	544	4 200
Transportation	415 699	5 150
	<b>8 630 427</b>	<b>9 864 732</b>
<b>33. Inventory Consumed</b>		
Consumables	6 880 737	4 918 383
Consumables - Standard Rated	4 309 270	3 028 824
Consumables - Zero Rated (Fuel)	2 571 467	2 237 243
Less: Recharges to Capital Works	-	(347 684)
	<b>6 880 737</b>	<b>4 918 383</b>
<b>34. Transfer and subsidies</b>		
<b>Other subsidies</b>		
South African Local Government Association	926 617	881 400

# Blue Crane Route Local Municipality (EC 102)

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>35. Operational costs</b>		
Advertising, Publicity and Marketing and Tenders	59 679	145 009
Assets expensed	3 315	-
External Audit Fees	2 936 078	4 152 311
Bank charges, Facility and card fees	158 626	244 625
Entertainment	30 126	77 004
Insurance Underwriting: Premiums	1 047 316	1 152 206
Insurance Underwriting: Excess payments	142 212	24 053
Registration fees - Seminars, conferences and workshops	29 000	13 502
Road traffic and Other fines	8 500	-
Hire charges	155 533	332 039
Printing, publications and books	818 883	700 785
Uniforms and protective clothing	700 021	451 637
Telephone, Fax, Telegraph and Telex	2 264 872	2 371 235
Courier and delivery services	1 185	1 231
Title deed search fees	9 036	14 312
Motor vehicle licences and registration	187 100	281 868
Postage	-	144
Resettlement costs	9 500	21 555
Remuneration to ward committee	336 343	650 000
Workman's compensation fund	575 133	525 410
Professional bodies, memberships and subscriptions	17 536	2 450
Skills development levy	927 045	726 841
Travel and subsistence	1 020 740	529 472
External Computer Services - Software Licences	724 067	753 888
Transport provided as part of events	14 070	3 400
	<b>12 175 916</b>	<b>13 174 977</b>
<b>36. Auditors' remuneration</b>		
Audit Fees	2 936 078	4 152 311
Additionally an amount of R6 277 was outstanding at 30 June 2021 and paid in July 2021.		
<b>37. Net cash flows from operating activities</b>		
Deficit	(42 439 693)	(25 564 550)
<b>Adjustments for:</b>		
Depreciation and amortisation	56 449 100	56 247 706
Gain on sale of assets and liabilities	153 424	393 050
Fair value adjustments	(2 527 994)	(513 212)
Finance costs - Finance leases	73 680	4 080
Finance costs - Landfill site	2 924 086	1 245 481
Debt impairment	29 613 065	25 357 410
Movement in retirement benefit assets and liabilities	1 892 000	2 482 000
Movement in long service awards liability	158 000	(132 000)
Movements in provisions	-	1 129 262
<b>Changes in working capital:</b>		
Inventories	(96 054)	60 483
Trade receivables from exchange transactions	(18 465 437)	(19 254 485)
((Increase)/decrease in other receivables from exchange transactions	(152 853)	208 353
(Increase)/decrease in other receivables from non-exchange transactions	(11 087 991)	(9 611 792)
Nett Increase/(decrease) in VAT receivables	(969 295)	-
Payables from exchange transactions	1 580 900	(3 338 163)
Nett Increase/(decrease) in VAT payable	(237 679)	1 819 129
Increase/(decrease) in trade and other payables from non-exchange	(557 335)	(47 771)
Unspent conditional grants and receipts	2 499 256	16 108 744
	<b>18 809 180</b>	<b>46 593 725</b>

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>38. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Infrastructure related projects	<u>23 698 488</u>	<u>7 523 355</u>
<b>Total capital commitments</b>		
Already contracted for but not provided for	<u>23 698 488</u>	<u>7 523 355</u>

This committed expenditure relates to Infrastructure projects and will be financed by Government Grants.



# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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Figures in Rand	2022	2021
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### 39. Contingencies

#### Contingent liabilities

##### **Matter: Blue Crane Route Municipality vs R Brown** **2020/21**

Mr Brown claim from the Municipality an amount of R46 216 for repairs done on a common boundary.

In the Magistrate Court it was found that the Magistrate has no jurisdiction to adjudicate the amount of the debt and that the proper way to settle the debt is by way of declaring a dispute in terms of section 29 of the Fencing Act no 31 of 1963.

A letter was received from Mr Brown's attorney's requested to refer the dispute a Board to be appointed. The Municipality still considering this request.

The Council decided to approve this liability but a further claim was received from Mr Brown for interest. Council resolved on a Council meeting dated August 2020 that management should settle this matter with R Brown, by way of further negotiations and not incurring further legal costs.

##### **2021/22**

Matter was resolved on 30 September 2021. An amount of R78 66.24 was paid.

##### **Matter: Blue Crane Route Municipality vs Municipal Workers Retirement Fund (MWRf)** **2021/21**

The effected workers are claiming an amount of R2 686 022 for the Council's contributions that was less than what it should be towards the retirement fund for the period July 2007 to June 2013.

The employees also need to contribute an additional amount of R1 111 246 for the same period of time. Since 1 July 2013, the correct contributions were paid over to the fund.

This claim of back-pay re-surfaced in May 2016, this claim could have prescribed as at 1 July 2017 (after three years) Council still needs to resolve this matter.

Council took a decision to object against the back-pay claim from SAMWU provident fund of around R16 940 819 (Interest included).

This matter went to the High Court in August 2020. Council is currently waiting the decision from the Judge. The Municipality attorneys still feel confident about the prospects of not paying the back pay amounts.

##### **2021/22**

Appeal was set down for 29 August 2022. The Municipality is waiting for the judgement to be issued.

##### **Matter: Blue Crane Route Municipality vs FW Lengosa (Former employee)** **2020/21**

Mr Lengosa was dismissed during 2006 after being found guilty of misconduct in that he failed to conduct himself with honesty and integrity.

Mr Lengosa has applied to the Labour Court for condonation of the late filing of the application and also an order that the sanction and letter of contract termination be set aside and that he is paid compensation for four years and seven months. The Municipality opposed the application.

It is anticipated that further cost associated with the defending of the claim will amount to approximately R40 000.

This does not include the cost associated with any cost order and/or compensation to which the former employee may become entitled should he be successful in his claim.

##### **2021/22**

No further progress. The Municipality is waiting for a Notice of set down of the matter. The total claim amounts to R2 801 084.

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 39. Contingencies (continued)

#### **Matter: Blue Crane Route Municipality vs M Gantsho (Former employee)** **2020/21**

Mr Gantsho was found guilty of multiple counts of serious misconduct in 2020, and referred a dispute to the SALGBC claiming that he had been unfairly dismissed.

The matter proceeded to arbitration and a ruling was issued that he was entitled to retrospective reinstatement and back pay in the amount of R127 915. The Municipality has now referred the matter to the Labour Court requesting that the arbitration award be reviewed and set aside.

Fixed deposit of R613 992 was needed from the Labour Court to proceed with the case. See Note 10.1 It is anticipated that further cost associated with the Labour Court proceedings will amount to approximately R150 000.

#### **2021/22**

This matter is still pending in Labour Court and the Municipality has good prospects of success.

#### **Matter: Blue Crane Route Municipality vs Q Plaatjies** **2021/22**

The Plaintiff claims that his vehicle was damaged after colliding with a pothole as a result of the defendant not maintaining the road. Legal fees estimated at R40 000 plus the claim from the Plaintiff of R18 052.

The matter is ongoing and a Plea had been filed. The Plaintiff has been missing since October 2020 so it is unclear who will be called to testify regarding the alleged.

#### **2021/22**

No Further progress in this matter.

#### **Matter: Blue Crane Route Municipality vs DW Lackay** **2021/22**

Lackay claims R111 440 from the Municipality for breach of duty to maintain water drainage. There are reasonable prospects of defending the claim.

#### **Matter: Blue Crane Route Municipality vs C Simonse (Former employee)** **2021/22**

Unfair dismissal dispute referred by employee, who claims she had reasonable expectation of having her contract renewed for a further 5 years.

Reasonable prospects of opposing referral. Cost around estimated at R458 044.

#### **Summary of Contingent liabilities**

R Brown	-	-	-	46 216
MWRF	-	-	16 940 819	16 940 819
FW Lengosa	-	-	2 801 084	2 801 084
M Gantsho	-	-	613 992	613 992
Q Plaatjies	-	-	58 052	58 052
DW Lackay	-	-	111 440	-
C Simonse	-	-	458 044	-
	-	-	<b>20 983 431</b>	<b>20 460 163</b>

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 39. Contingencies (continued)

#### Contingent assets

##### Matter: Blue Crane Route Municipality vs Autumn Star/Claassen 2020/21

The matter is on going. The Municipality's prospects of success remains strong and should be able to obtain an order for repayment of approximately R1 561 737 (Autumn Star) and R3 602 190 (Claassen). New court dates has been made

##### 2021/22

No further progress. Awaiting new court dates.

##### Matter: Blue Crane Route Municipality vs A Swanepoel 2020/21

The Municipality appeal was successful, but Bill of costs has not been taxed yet. The total claim amount is R50 000. The file of Mr Swanepoel has been forwarded to the Cost Consultant after which the file will be returned to the Municipality. No further progress. The file of Mr Swanepoel is still outstanding.

##### 2021/22

No further progress. The file of Mr Swanepoel is still outstanding.

##### Matter: Blue Crane Route Municipality vs Santam Insurance Limited 2020/21

The Municipality received an amount of R1 500 000 for the recovery of the cost paid to the claimants injured in a truck accident. The Municipality won the case with costs. The attorneys must therefore still recover the cost from Santam.

##### 2021/22

The Municipality's attorneys are still following up with payment of bill of costs.

#### Summary of Contingent assets

Autumn Star/Claassen	5 163 927	5 163 927
A Swanepoel	50 000	50 000
	<u>5 213 927</u>	<u>5 213 927</u>

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 40. Related parties

#### Related party balances

##### Contracts awarded to suppliers in the service of the state

Norotype (PTY)LTD , child of Employee (C Malambile) from Department of Health	-	4 300
Ebusha General Trading (Director's daughter employed by the Provincial Department )	420 789	585 600
MG Du Plessis (Spouse was former DA Councillor)	-	9 765
TSCH International Holdings (Spouse - E Hlongwane from City of Cape Town Municipality)	331 200	110 400
ASD International (K Ferreira - Employee of Department of Water and Sanitation)	150 859	-
Skygh High Consulting (M Nhawu employee of SARS and N Mhlongo employee of Home Affairs)	1 850 815	-
Motheo Construction (Various employees in state departments)	2 279 662	-

##### Contracts awarded to close family members

Lwandif Catering (PTY) LTD (Sister of Employee N Blignaut)	11 000	5 000
Ungubengcuka Construction (Spouse of Employee A Ntshudu)	-	4 378
PJA Jordaan Transport (Child of Employee M Jordaan)	2 000	-

No awards made to Section 56 and other Councillors, except as per notes 31 and 32

#### Key management information

Councillors	Description
BA Manxoweni	Mayor
NP Nkonyeni	Speaker
KC Brown	Councillor
P Sonkwala	Councillor
JM Martin	Councillor
FP Brown	Councillor
A Hufkie	Chairperson: Community Services
TA Grootboom	Chairperson: Infrastructure
MS Kwatsha	Chairperson: Corporate Services
TC Xakaxa	Councillor
C Nel	Councillor
A Dyantyi	Councillor
ABC Heynse	Councillor
ZS Baskiti	Councillor
MK Mali	Councillor
EL Miggels	Councillor
EW Peta	Councillor

#### Section 56 managers

	Description
T Klaas	Municipal Manager
NB Delo	Chief Financial Officer
M Planga	Director: Community Services
A Gaji	Director: Technical Services
N Kubone	Director: Corporate Services

#### Acting Senior Managers

M Gush: Acting Director: Corporate Services	-	46 174
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# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 41. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

#### Statement of financial position

##### 2020

	Note	Correction of error	Restated
Other Receivables from non-Exchange Transactions		(44 855)	(44 855)
Trade receivables from exchange transactions		(16 205)	(16 205)
Payables from Exchange Transactions		(52 518)	(52 518)
Accumulated surplus / deficit		45 668	45 668
Accumulated surplus / deficit		14 091	14 091
Accumulated surplus / deficit		44 855	44 855
VAT payable		2 114	2 114
VAT payable		6 850	6 850
At Cost - Landfill sites		(6 294 738)	(6 294 738)
Accumulated depreciation - Landfill sites		1 760 932	1 760 932
Accumulated Surplus		4 533 806	4 533 806
		-	-

##### 2021

	Note	As previously reported	Correction of error	Restated
Trade receivables from exchange transactions - Service Charges		28 232 527	(678 292)	27 554 235
Other receivable from non-exchange transactions - Property rates		9 371 277	(380 799)	8 990 478
Trade Payables		(31 548 991)	1 302 483	(30 246 508)
Retention on capital projects		(1 578 259)	(115 169)	(1 693 428)
Unspent conditional grants and receipts		(17 054 502)	121 567	(16 932 935)
VAT Payable		(337 692)	100 013	(237 679)
PPE - Infrastructure water		710 712 854	(1 296 382)	709 416 472
Intangible Assets (CV)		1 860	1 242	3 102
Landfill sites - (CV)		5 164 916	(4 748 133)	416 783
Landfill sites - Accumulated Depreciation		(12 829 384)	2 278 874	(10 550 510)
Trade receivables from exchange transactions - Other		3 198 194	651 391	3 849 585
Payables from non-Exchange		(156 366)	(1 429 923)	(1 586 289)
		<b>693 176 434</b>	<b>(4 193 128)</b>	<b>688 983 306</b>

#### Statement of financial performance

##### 2021

	Note	As previously reported	Correction of error	Restated
Revenue from exchange transactions - Service charges		(142 459 447)	562 140	(141 897 307)
Revenue non-exchange transactions - Government grants and subsidies		(105 837 214)	1 308 354	(104 528 860)
Revenue non-exchange transactions - Property rates		(23 686 353)	335 947	(23 350 406)
Revenue from exchange transactions - Interest earned		(3 859 870)	15 624	(3 844 246)
Contracted services		9 819 884	44 851	9 864 735
Inventory Consumed		4 901 432	16 951	4 918 383
Intangible Assets - Amortisation		3 103	(1 242)	1 861
Infrastructure - Depreciation		45 909 981	(11 972)	45 898 009

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021	
<b>41. Prior-year adjustments (continued)</b>			
Landfill sites - Depreciation	645 615	(517 942)	127 673
Landfill sites - Finance costs	1 129 261	1 245 481	2 374 742
Other Income - Bad debts recovered	(870 072)	(651 391)	(1 521 463)
Fair value adjustment for landfill site provision	-	513 213	513 213
<b>Surplus for the year</b>	<b>(214 303 680)</b>	<b>2 860 014</b>	<b>(211 443 666)</b>

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 41. Prior-year adjustments (continued)

#### Prior period error adjustments descriptions

#### Statement of Financial Position

##### Trade receivables from exchange transactions

Adjust services charges because of over and incorrect estimates of meter readings.

Incorrect electricity levies raised as meter was removed.

##### Other receivable from non-exchange transactions - Property rates

Adjust Property rates due to incorrect levies raised on interim valuation.

##### Trade Payables

Adjust trade payables due to an overpayment towards contract T19/2019 - Cookhouse bulk water and cost of major services of office equipment not provided as a liability.

##### Retention on capital projects

Payment for retention in previous year incorrectly allocated.

##### Unspent conditional grants and receipts

Adjust trade payables due to an overpayment towards contract T19/2019 - Cookhouse bulk water and Payment for retention in previous year incorrectly allocated.

The grant received from the Department of Human Resources to build houses was incorrectly classified in the previous year as "Condition Grant" instead of "Trade payables from Non-exchange" as this is a Principal/ Agency relationship only.

##### VAT Payable

Adjust services charges because of over and incorrect estimates of meter readings

Cost of major services of office equipment not provided as liability

BG security not included in liabilities for guard duties

##### PPE - Infrastructure water

Adjust trade payables due to an overpayment towards contract T19/2019 - Cookhouse bulk water and Payment for retention in previous year incorrectly allocated.

#### Statement of Financial Performance

##### Revenue from exchange transactions - Service charges

Adjust services charges because of over and incorrect estimates of meter readings.

Incorrect electricity levies raised as meter was removed.

##### Revenue non-exchange transactions - Government grants and subsidies

Adjust trade payables due to an overpayment towards contract T19/2019 - Cookhouse bulk water and Payment for retention in previous year incorrectly allocated.

##### Revenue Non-exchange transactions - Property rates

Adjust Property rates due to incorrect levies raised on interim valuation.

##### Revenue Non-exchange transactions - Licence and Permits

Adjust services charges because of over and incorrect estimates of meter readings.

##### Contracted Services

Cost of major services of office equipment not provided as liability

BG security not included in liabilities for guard duties.

##### Inventory Consumed

Adjust inventory consumed due to a refund of material for electricity repairs.

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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Figures in Rand	2022	2021
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### 42. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

#### Liquidity risk

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

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

#### 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.

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used.

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

Financial instrument	2022	2021
Trade receivables from exchange transactions	36 691 974	28 232 527
Other receivables from non-exchange transactions	7 471 655	9 681 774
Other receivables from exchange transactions	1 553 908	1 162 856
Short term deposits and cash in banks	21 415 102	25 683 399

The municipality holds deposits of R2 734 065 (2020: R2 733 983) from consumer debtors. No guarantees or collateral was provided to third parties.



# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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Figures in Rand	2022	2021
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### 42. Risk management (continued)

#### Market risk

##### Interest rate risk

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

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.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

##### Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year				
Trade and other payables from non-exchange	10,00 %	(156 366)	-	-	-	-
Payables from exchange transactions	7,00 %	(43 911 122)	-	-	-	-
Trade and Other receivables from exchange	8,00 %	29 395 383	-	-	-	-
Other receivables from non-exchange	8,00 %	9 681 774	-	-	-	-
Cash in current banking institutions	4,50 %	25 683 399	-	-	-	-

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 43. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business for the 12 month period ending 30 June 2023.

The following material uncertainties may cast doubt on the going concern assumption:

- Covid-19 global impact on the economy
- Debt payment ratio's not in the norm
- Credit payment ratio's not in the norm
- High level of electricity losses that occur
- High level of poverty within the BCRM's municipal area
- The potential risk that contingent liabilities as disclosed in this set of financial statements may materialise in actual commitments to pay.

The following revenue enhancement strategies are currently in place to ensure that we address the above listed concerns:

- Debt collection interventions, including services restrictions if bills are not paid and issuing of summonses
- Implementation of an electronic meter reading system to ensure accurate and timely issuing of accounts
- Meter audits, to establish if all service usages are accounted for
- Installation of bulk electricity and water meters to track and monitor losses
- Replacement of old electricity and water infrastructure to curb electricity and water losses
- Developing of cost covering tariffs to ensure that consumers are paying for the services rendered by the municipality
- Cost containing measures to prevent unnecessary expenditure
- Implementation of a general valuation roll and interim rolls to ensure that the new market values of property are accounted for VAT audits
- Establishing a LED unit to attract business opportunities for local business

COVID-19 impact and measures to ensure the financial stability

The Covid-19 recession is a major ongoing global economic crisis which has caused both a recession in South Africa, and is currently the worst global economic crisis since the Great Depression. Modeling by the World Bank suggests that in some regions of the world a full recovery will not be achieved until 2025 or beyond. It is therefore important that Blue Crane Route Municipality is well geared to absorb the additional pressure.

### 44. Events after the reporting date

There are no events after reporting date to report on.

### 45. Unauthorised expenditure

Opening balance as previously reported	-	35 303 488
Add: Unauthorised expenditure - current	12 023 615	-
Less: Approved by Council during the year	-	(35 303 488)
<b>Closing balance</b>	<b>12 023 615</b>	<b>-</b>

No unauthorised expenditure incurred during the year 2022.

### 46. Fruitless and wasteful expenditure

Opening balance as previously reported	6 755	845 535
Add: Fruitless and wasteful expenditure identified - current year	50 866	6 279
Less: Approved by Council during the year	(14 712)	(845 059)
<b>Closing balance</b>	<b>42 909</b>	<b>6 755</b>

### Disciplinary steps taken/criminal proceedings

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>47. Irregular expenditure</b>		
Opening balance as previously reported	8 045 782	25 484 161
<b>Opening balance as restated</b>	<b>8 045 782</b>	<b>25 484 161</b>
Add: Irregular Expenditure - current	6 408 762	8 220 177
Less: Written off by Council	(9 251 529)	(25 658 556)
<b>Closing balance</b>	<b>5 203 015</b>	<b>8 045 782</b>

### Details of irregular expenditure - current year

Disciplinary steps taken/criminal proceedings - None  
Supply Chain Management regulations not adhered to.

### 48. Segment information

#### REPORTABLE SEGMENTS FOR THE YEAR ENDED AT 30 JUNE 2022

##### Identification of segments

For management purposes, the Municipality is organised and operates in four key functional segments (or business units). Revenue and expenditure relating to these business units are allocated at a transaction level. Cost relating to the governance and administration of the Municipality are not allocated to these business units.

The four key business units comprise of:

Community and Public safety which includes community and social services, sport and recreation, public safety, health and refuse removal services.

Technical Services which includes Water, electricity, Sewerage/Sanitation and roads services

Corporate services which includes Human resources, Legal services and administration function.

Financial services which includes the Budget and Treasury office, Supply chain management, Assets management, Revenue and Expenditure.

Governance and Administration which includes the Offices of the Accounting Officer, Mayor and Municipal Council.

Management does not have at present reliable separate financial information that monitors geographically the performance. The cost to implement such a system will be excessive but will be considered in future as a full electronic costing system should be implemented.

##### Aggregated segments

The municipality's segments were aggregated on the basis of the two main types of services delivered. This is also the two directories of service delivery at the Municipality, which is Technical services and Community Services. All the other administration and financial services are grouped together as "Other services".

##### Types of services by segment

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

Reportable segment	Services
Technical services	Water, Electricity, Sewerage and Public Works
Community Services	Refuse, Public Safety, Traffic, Library and parks
Other Services	Finance, Council and all administration sections

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 48. Segment information (continued)

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

2022

	Community and Public Safety	Technical services	Other services	Total
<b>Revenue</b>				
External revenue from Non-exchange transactions	9 492 655	58 549 601	54 197 030	122 239 286
External revenue from Exchange transactions	9 390 831	138 425 062	5 968 668	153 784 561
Interest revenue	-	-	935 030	935 030
<b>Total segment revenue</b>	<b>18 883 486</b>	<b>196 974 663</b>	<b>61 100 728</b>	<b>276 958 877</b>
<b>Entity's revenue</b>				<b>276 958 877</b>
<b>Expenditure</b>				
Employee related costs	23 722 405	36 539 364	31 157 459	91 419 228
Bulk Purchases	-	108 082 284	-	108 082 284
Debt impairment	4 217 403	14 338 640	11 057 022	29 613 065
Depreciation and amortisation	1 371 357	53 082 503	799 644	55 253 504
Interest expense	2 962 324	340 567	67 655	3 370 546
Total other segment expenditure	3 651 152	9 916 080	19 489 042	33 056 274
<b>Total segment expenditure</b>	<b>35 924 641</b>	<b>222 299 438</b>	<b>62 570 822</b>	<b>320 794 901</b>
<b>Total segmental surplus/(deficit)</b>				<b>(43 836 024)</b>
Loss on disposal of assets				(153 424)
Fair value adjustment of landfill site provision				2 527 994
Actuarial gains (losses)				217 357
Impairment Loss				(1 195 596)
<b>Entity's surplus (deficit) for the period</b>				<b>1 396 331</b>
<b>Assets</b>				
Current assets	1 721 999	23 730 280	36 954 895	62 407 174
Non-current assets	39 746 094	731 340 485	112 199 547	883 286 126

# Blue Crane Route Local Municipality (EC 102)

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## Notes to the Annual Financial Statements

Figures in Rand

	Community and Public Safety	Technical services	Other services	Total
<b>48. Segment information (continued)</b>				
<b>Total segment assets</b>	<b>41 468 093</b>	<b>755 070 765</b>	<b>149 154 442</b>	<b>945 693 300</b>
<b>Total assets as per Statement of financial Position</b>				<b>945 693 300</b>
<b>Liabilities</b>				
Current liabilities	-	20 932 553	52 204 230	73 136 783
Non-current liabilities	26 297 727	-	32 122 718	58 420 445
<b>Total segment liabilities</b>	<b>26 297 727</b>	<b>20 932 553</b>	<b>84 326 948</b>	<b>131 557 228</b>
<b>Total liabilities as per Statement of financial Position</b>				<b>131 557 228</b>

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

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 48. Segment information (continued)

2021

	Community and public Safety	Technical services	Other services	Total
<b>Segment Revenue</b>				
External revenue from Non-exchange transactions	11 578 962	44 988 998	71 712 263	128 280 223
External revenue from Exchange transactions	8 694 306	136 538 981	4 859 788	150 093 075
Interest revenue	-	-	591 804	591 804
<b>Total segment revenue</b>	<b>20 273 268</b>	<b>181 527 979</b>	<b>77 163 855</b>	<b>278 965 102</b>
<b>Entity's revenue</b>				<b>278 965 102</b>
<b>Expenditure</b>				
Employee related costs	23 587 683	33 933 794	29 529 250	87 050 727
Bulk Purchases	-	99 826 577	-	99 826 577
Debt impairment	3 660 568	13 428 413	8 268 430	25 357 411
Depreciation and amortisation	4 946 702	50 859 697	441 307	56 247 706
Interest expense	2 374 742	45 906	35 983	2 456 631
Total other segment expenditure	2 529 416	6 085 915	24 356 805	32 972 136
<b>Total segment expenditure</b>	<b>37 099 111</b>	<b>204 180 302</b>	<b>62 631 775</b>	<b>303 911 188</b>
<b>Total segmental surplus/(deficit)</b>				<b>(24 946 086)</b>
Loss on disposal of assets				(395 029)
Fair value adjustment of landfill site provision				513 212
Actuarial gains (losses)				(736 647)
<b>Entity's surplus (deficit) for the period</b>				<b>(618 464)</b>
<b>Assets</b>				
Current assets	2 146 731	25 730 690	37 630 538	65 507 959
Non-current assets	43 133 654	752 050 703	113 724 993	908 909 350
<b>Total segment assets</b>	<b>45 280 385</b>	<b>777 781 393</b>	<b>151 355 531</b>	<b>974 417 309</b>
<b>Total assets as per Statement of financial Position</b>				<b>974 417 309</b>

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	Community and public Safety	Technical services	Other services	Total
<b>48. Segment information (continued)</b>				
<b>Liabilities</b>				
Current liabilities	4 150 289	32 873 719	29 131 413	66 155 421
Non-current liabilities	26 272 111	-	25 414 000	51 686 111
<b>Total segment liabilities</b>	<b>30 422 400</b>	<b>32 873 719</b>	<b>54 545 413</b>	<b>117 841 532</b>
<b>Total liabilities as per Statement of financial Position</b>				<b>117 841 532</b>

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

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

#### Contributions to organised local government

Contribution for the year	926 617	881 086
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No contributions were outstanding at year end.

#### PAYE, UIF and SDL

Opening balance	1 027 695	795 618
SARS deductions	12 865 350	12 164 048
Amount paid over	(12 890 974)	(11 931 971)
	<u>1 002 071</u>	<u>1 027 695</u>

The nett outstanding amount of R1 002 071 which includes PAYE, UIF and SDL was paid in July 2022 to SARS.

#### Pension/provident/annuity fund and Medical Aid

Opening balance	2 064	-
Current year deductions	19 470 012	18 633 489
Amount paid - current year	(19 472 076)	(18 631 425)
	<u>-</u>	<u>2 064</u>

#### Councillors' arrear consumer accounts

No municipal charges for Councillors were outstanding for more than 90 days at 30 June 2022:

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

#### Incident

3 Quotations not obtained	1 353 586	-
Emergency	2 832 490	-
Advertising in local news paper and radio stations	429 266	-
Sole provider	195 904	-
Covid 19	9 858	-
	<u>4 821 104</u>	<u>-</u>



# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 50. Actual versus Budget: Explanation of material variances greater than 10% versus budget

FINANCIAL PERFORMANCE	Actual amount over/(under) budget	Variance percentage	Explanation
<b>Revenue</b>			
<b>Property Rates</b>			
	3 942 039	20 %	The Game Farms property rates was challenged by the Game Farmers and therefore the Municipality budgeted rates income less than what we actually levied as there is still a risk as no outcome is yet received from the Court
Service charges	(29 376 233)	-17 %	Electricity revenue realised much less than the budget as the bulk purchases was also R8m less than the budget. Furthermore municipal own internal service charges was included in the budget but then reversed as it does not comply to GRAP standards of revenue which was a further R10m
Interest Earned - External Investments	135 030	17 %	Grants were not fully spent at year end and lead to bigger cash and investments which earned more interest for the year.
Government grants and subsidies	(19 848 438)	17 %	Capital Grants were not fully spent at year end and lead to grants revenue utilised much less than the budget. Roll over grants will be applied for in 2022/2023
Contributions recognised - capital & contributed assets	(25 100 000)	90 %	Industrial Park development was budgeted for completion at year end but only the fence of the Park was complete
Other own revenue	1 518 203	14 %	The Fair value adjustment of the landfill site of R2.5m was not suspected when budget was approved
<b>Expenditure</b>			
Finance costs	1 219 626	57 %	Interest cost on Landfill site were incorrectly calculated in 2021/2022 and was adjusted to R2.9m.
<b>FINANCIAL POSITION</b>			
Total Current Assets	13 664 232	28 %	Grants were not fully spent at year end and lead to bigger cash and investments which increased the current assets more than budgeted.
Total Current Liabilities	24 006 119	49 %	Grants were not fully spent at year end and lead to higher unspent conditional grants which is part of the current liabilities.
Total Non-Current Liabilities	28 297 175	94 %	PRMA liability incorrectly included in budget under current liabilities

# Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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Figures in Rand 2022 2021

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### 50. Actual versus Budget: Explanation of material variances greater than 10% versus budget (continued)

#### CASH FLOWS

Net cash from (used) investing	25 930 693	48 %	Capital Budget was not spent according to plan as the unspent grants needed to be approved as roll overs
Net cash from (used) financing	(2 766 159)	-34 %	Consumer deposits incorrectly anticipated to increase with R2.9m