KOU-KAMMA LOCAL MUNICIPALITY

EC109

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2023

KOU-KAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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GENERAL INFORMATION

ADDRESS OF THE KOU-KAMMA LOCAL MUNICIPALITY

5 Keet Street	Private Bag X11
Kareedouw	Kareedouw
6400	6400

GRADING OF THE LOCAL AUTHORITY
Grade 1

EXTERNAL AUDITORS
Office of the Auditor General (East London)
69 Frere Road
Vincent
East London
5200

PRIMARY BANKER
ABSA Bank Ltd

ACTING ACCOUNTING OFFICER
Tini S.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

Acting Municipal Manager
Tini S.

Chief Financial Officer
Venter N.A.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 4 to 62, in terms of Section 126(1) of the Municipal Finance Management Act (Act No. 56 of 2003) and which I have signed on behalf of the municipality.

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The accounting officer is required by the Municipal Finance Management Act (Act No 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 and 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 the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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 2024 and in the light of this review and the current financial position, as assessed with limited resources, the municipality will continue to operate as a going concern for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6 onwards

The annual financial statements set out on pages 5 to 62, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed by:

Tini S.
Acting Municipal Manager

MEMBERS OF THE COUNCIL

MAYOR

Cllr. Yake F.J.

SPEAKER

Cllr. Maasdorp D.

COUNCILLORS

Cllr. Yake F.J.
Cllr. Maasdorp D.
Cllr. Strydom F.
Cllr. Smith K.
Cllr. Krige J.
Cllr. Fillis R.C.
Cllr. Campher R.G.
Cllr. Persent V.X.E.
Cllr. Ncethezo S.D. (Deceased 19 June 2023)
Cllr. Sikiwe N.
Cllr. Jantjies B.T.
Cllr. Ferguson S.
Cllr. May S. (Appointed 19 June 2023)

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution of the Republic of South Africa, 1996, read with the Remuneration of Public Office Bearers Act No.20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

KOU-KAMMA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	Actual 2023 R	Restated 2022 R
ASSETS			
Current Assets		**105 895 331**	**79 145 934**
Inventories	2	517 491	393 264
Receivables from Exchange Transactions	3	40 423 712	20 744 802
Receivables from Non-exchange Transactions	4	51 302 256	40 648 661
VAT Receivable	5	9 216 587	14 472 490
Cash and Cash Equivalents	6	4 404 840	2 856 739
Operating Lease Receivables	7	30 446	29 978
Non-Current Assets		**386 536 257**	**375 915 917**
Property, Plant and Equipment	8	361 522 786	350 849 881
Intangible Assets	9	42 674	81 496
Investment Property	10	24 970 797	24 984 540
Total Assets		**492 431 588**	**455 061 851**
LIABILITIES			
Current Liabilities		**37 587 003**	**31 855 698**
Consumer Deposits	11	105 758	105 758
Current Portion of employee benefits Liabilities	15	2 528 344	2 138 592
Provisions	12	757 033	110 788
Payables from Exchange Transactions	13	31 887 779	36 988 439
Unspent Conditional Grants and Receipts	14	2 308 090	(7 487 879)
Non-Current Liabilities		**16 226 999**	**15 797 012**
Employee Benefit Liabilities	15	9 808 660	9 214 856
Provisions	16	6 418 339	6 582 156
Total Liabilities		**53 814 003**	**47 652 710**
Net Assets		**438 617 585**	**407 409 142**
NET ASSETS		**438 617 585**	**407 409 142**
Accumulated Surplus	17	438 617 586	407 409 142
Total Net Assets		**438 617 585**	**407 409 142**

KOU-KAMMA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

	Note	Actual 2023 R	Restated 2022 R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	18	25 570 430	18 032 745
Fines	19	30 460 950	46 006 750
Income for Agency Services	20	1 744 383	2 369 735
Government Grants and Subsidies Received	21	107 862 489	118 301 008
Interest Earned - Outstanding Debtors	24	4 518 283	4 883 778
Revenue from Exchange Transactions			
Service Charges	22	32 861 256	32 120 221
Rental of Facilities and Equipment	23	232 514	223 542
Interest Earned - External Investments	24	424 224	158 568
Interest Earned - Outstanding Debtors	24	14 171 716	13 943 702
Other Revenue	25	1 661 938	1 853 468
Total Revenue		**219 508 184**	**237 893 515**
EXPENDITURE			
Employee Related Costs	26	(62 085 837)	(59 015 667)
Remuneration of Councillors	27	(4 777 039)	(4 109 124)
Depreciation and Amortisation	28	(24 089 667)	(23 186 585)
Debt impairment		(51 309 298)	(64 516 278)
Finance Costs	29	(562 645)	(421 515)
Bulk Purchases	30	(5 433 305)	(5 304 359)
Contracted Services	31	(8 499 598)	(7 777 496)
Inventory consumed	31	(5 662 552)	(6 466 218)
General Expenses	32	(24 494 984)	(19 258 843)
Loss on Disposal of Property, Plant and Equipment		0,00	(681 599)
		(186 914 924)	**(190 737 684)**
SURPLUS/ (DEFICIT) FOR THE YEAR		**32 593 260**	**47 155 831**

KOU-KAMMA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

Description	Note	Accumulated Surplus / (Deficit)	Total
		R	R
Restated balance at 1 July 2021		**360 803 109**	**360 803 109**
Prior year adjustment		(1 934 614)	
Surplus for the year		47 155 831	47 155 831
Balance at 30 June 2022		**406 024 326**	**406 024 326**
2022			
Restated balance at 1 July 2022		**406 024 326**	**406 024 326**
Surplus for the year		32 593 260	32 593 260
Balance at 30 June 2023		**438 617 586**	**438 617 586**

KOU-KAMMA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

	Note	Actual 2023 R	2022 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		357 090	347 548
Government Grant and Subsidies	21	115 748 549	111 810 804
Interest Received on investments	24	424 224	158 568
Other Receipts		48 209 859	53 712 692
Payments			
Employee Related Costs	26	(62 085 837)	(59 015 667)
Remuneration of Councillors	27	(4 777 039)	(4 109 124)
Interest Paid	29	(562 645)	(421 515)
Suppliers Paid		(60 579 744)	(53 554 827)
NET CASH FLOWS FROM OPERATING ACTIVITIES	33	**36 734 457**	**48 928 479**
CASH FLOWS UTILISED FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	8	(35 186 358)	(49 453 278)
Purchase of Intangible Assets	9	-	-
Interest received on bank account and short-term deposits		-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(35 186 358)**	**(49 453 278)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT		**1 548 099**	**(524 799)**
Cash and Cash Equivalents at Beginning of Period		2 856 740	3 381 539
Cash and Cash Equivalents at End of Period		4 404 840	2 856 740

KOU-KAMMA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET INFORMATION WITH ACTUAL INFORMATION AS AT 30 JUNE 2023

Description	Original Budget	Budget Adjustments (i.e. s28 & s31 Of The MFMA)	Final Budget	Actual Outcome	Variance	Variance percentage	Actual Income As % Of Final Budget	Actual Outcome As % Of Original Budget	Notes
ASSETS									
Current Assets	249 101 146	(131 150 029)	117 951 117	105 895 331	12 055 786				
Inventories	355 979	(7 870)	348 109	517 491	(169 382)	-49%	149%	145%	
Receivables from Exchange Transactions	139 289 846	(67 255 800)	72 034 046	40 423 712	31 610 334	44%	56%	29%	N1
Receivables from Non-exchange Transactions	66 328 136	(44 890 697)	21 437 439	51 302 256	(29 864 817)	-139%	239%	77%	N2
VAT Receivable	-		-	9 216 587	(9 216 587)				
Cash and Cash Equivalents	43 085 233	(18 983 688)	24 101 545	4 404 840	19 696 705	82%	18%	10%	N3
Operating Lease Receivables	41 952	(11 974)	29 978	30 446	(468)	-2%	102%	73%	
Non-Current Assets	405 388 288	(69 077)	405 319 211	386 536 257	18 782 954				
Property, Plant and Equipment	380 154 996	119 792	380 274 788	361 522 786	18 752 002	5%	95%	95%	
Intangible Assets	237 623	(157 138)	80 485	42 674	37 811	47%	53%	18%	N4
Investment Property	24 995 669	(31 731)	24 963 938	24 970 797	(6 859)	0%	100%	100%	
					-				
Total Assets	654 489 434	(131 219 106)	523 270 328	492 431 588	30 838 740				
LIABILITIES									
Current Liabilities	34 059 351	(10 256 047)	23 803 304	37 587 003	(13 783 699)				
Consumer Deposits	105 758	(43 274)	62 484	105 758	(43 274)	-69%	169%	100%	
Current Portion of Long-term Liabilities	-	-	-	2 528 344	(2 528 344)				
Provisions	4 721 692	(2 629 441)	2 092 251	757 033	1 335 218	64%	36%	16%	N5
Payables from Exchange Transactions	29 231 901	(7 583 332)	21 648 569	31 887 779	(10 239 210)	-47%	147%	109%	N6
Unspent Conditional Grants and Receipts	-	-	-	2 308 090	(2 308 090)				
Non-Current Liabilities	-	15 954 114	15 954 114	16 226 999	(272 885)				
Employee Benefit Liabilities	-	-	-	9 808 660	(9 808 660)				N7
Provisions	-	15 954 114	15 954 114	6 418 339	9 535 775	60%	40%	100%	N8
Total Liabilities	34 059 351	5 698 067	39 757 418	53 814 003	(14 056 585)				
Net Assets	620 430 083	(136 917 173)	483 512 910	438 617 585	44 895 325				
NET ASSETS	620 430 083	(136 917 173)	483 512 910	438 617 586	44 895 325				
Accumulated Surplus	620 430 083	(136 917 173)	483 512 910	438 617 586	44 895 325	9%	91%	71%	
Total Net Assets	620 430 083	(136 917 173)	483 512 910	438 617 586	44 895 325				

Notes and Legends

N1 The payment rate of debtors decreased, resulting in higher than expected bad debt provision
N2 The payment rate of debtors decreased, resulting in higher than expected bad debt provision
N3 This relates to the unspent grants at year-end.
N4 Budget error, additions not taken into account
N5 This relates to the write off of performance bonusses in the current year
N6 Due to cash flow difficulties a number of creditors, could not be paid be year-end
N7 This relates to underbudgeting for the increase in the PEMA liability
N8 Budget error, decrease in landfill site obligation budget was over estimated

KOU-KAMMA MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET INFORMATION WITH ACTUAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2023

Description	Original Budget	Budget Adjustments (i.e. s28 & s31 Of The MFMA)	Final Budget	Actual Income & Expenditure	Variance	Variance percentage	Actual Income As % Of Final Budget	Actual Outcome As % Of Original Budget	Notes
Financial Performance									
Property Rates	19 236 070	6 522 984	25 759 054	25 570 430	188 624	1%	99%	133%	
Service Charges	38 778 259	(3 745 427)	35 032 832	32 861 256	2 171 576	6%	94%	85%	
Rental of Facilities and Equipment	161 179	62 005	223 184	232 614	(9 330)	-4%	104%	144%	
Investment Revenue	335 986	(177 419)	158 567	424 224	(265 657)	-168%	268%	126%	N1
Interest earned: outstanding debtors	9 078 336	10 749 144	19 827 480	18 689 999	1 137 481	6%	94%	206%	N2
Fines	26 000 000	(682 000)	25 318 000	30 460 950	(5 142 950)	-20%	120%	117%	N3
Income for the agency fees	1 380 374	664 515	2 044 889	1 744 383	300 506	15%	85%	126%	
Government grants and subsidies	92 065 003	32 582 997	124 848 000	107 882 489	16 785 511	13%	87%	117%	N4
Other Own Revenue	22 776 139	(20 811 139)	1 965 000	1 681 936	303 062	15%	85%	7%	N5
Gain on disposal of assets			-						
Total Revenue (Excluding Capital Transfers & Contributions)	209 811 346	25 165 660	234 977 006	219 508 184	(15 468 822)	-7%	93%	105%	
Employee Costs	63 864 451	(2 0[illegible] 391)	61 805 [illegible]	62 085 837	(280 777)	0%	100%	97%	
Remuneration Of Councillors	5 015 414	(99 031)	4 916 383	4 777 032	[illegible]	3%	97%	95%	
Debt Impairment	48 202 512	(359 512)	47 843 000	[illegible]	[illegible]	-7%	50%	50%	
Depreciation & Asset Impairment	22 130 191	951 122	23 081 313	[illegible]	(1 008 354)	-4%	2%	3%	
Finance Charges	1 307 933	(1 047 473)	260 460	582 645	(322 185)	-116%	216%	43%	N6
Bulk Purchases	5 532 243	167 022	5 699 265	5 433 305	265 960	5%	95%	86%	
Other Materials	8 535 150	(2 794 386)	5 740 764	5 662 552	78 212	1%	99%	66%	
Contracted Services	12 408 498	(3 199 744)	9 208 754	8 499 598	709 156	8%	92%	68%	N7
Other Expenditures	22 776 139	3 974 801	26 750 940	24 494 984	2 255 956	8%	92%	108%	
Impairment loss	-	-	-	-	-				
Total Expenditure	*189 772 531*	*(4 466 592)*	*185 305 939*	*186 914 924*	*1 608 985*	1%	*101%*	*98%*	
Surplus/(Deficit)	20 038 816	29 632 252	49 671 067	32 593 260	(17 077 807)	-34%	66%	169%	
Capital Expenditure	25 611 500	(972 519)	24 638 981	35 186 358	10 547 377	43%	143%	137%	

Notes and Legends:

N1 The municipality has more funds available on short term investments than anticipated
N2 The municipality has more funds ore book value on overdue accounts of services and rates
N3 Underbudgeted for Fines accrued revenue
N4 Due to OTP gazetted / budgeted amount is more than the amount actual received for spending
N5 The municipality has budgeted other income as part of the revenue enhancement plan, but due to staff shortages in this section, the actual results were lower than anticipated.
N6 Due to the increase in overdue creditors, interest incurred during the financial year was higher than anticipated
N7 Due to cost containment measures, the municipality curbs non essential expenditures

1. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) listed below including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 1.6 standards and interpretations effective and adopted in the current year.

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below.

The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:
(a) is required by a Standard of GRAP; or
(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy on *Revenue from Exchange Transactions* and Accounting Policy on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 and GRAP 23. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate. At the time of initial recognition it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods or services will not occur, because the municipality has an obligation to collect all revenue.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy on *Financial Assets Classification* and Accounting Policy on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

1. 2. 3 Impairment of Financial Assets

Accounting Policy on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness.

This was performed per service-identifiable categories across all classes of debtors.

1. BASIS OF PRESENTATION (Continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (Continued)

1. 2. 4 Useful lives of Property, Plant and Equipment, Intangible assets and Investment property

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1. 2. 5 Impairment: Write down of Property, Plant and Equipment and Inventories

Accounting Policy on *PPE - Impairment of assets* and Accounting Policy on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing, write down of Inventories to the lowest of Cost and Net Realisable Values (NRV) and whether assets should be written down to current replacement cost.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Non-Cash generating Assets and GRAP 26: Impairment of Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgement by management. During the year no impairments were made to PPE, intangible assets or inventory.

1. 2. 6 Water Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs have been determined, which is then converted into volumes based on the total capacity of the reservoir.

1. 2. 7 Defined Benefit Plan Liabilities

The municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the notes to the Annual Financial Statements.

1. 2. 8 Provisions and contingent liabilities

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. Additional disclosure of these estimates of provisions are included in Note 16 Provisions. A valuation report is prepared annually by the Province of the Eastern Cape Local Government and Traditional Affairs Department. This report is an effect to ensure that Kou-kamma Local Municipality complies with the Waste Act and the Generally Recognised Accounting Practice (GRAP) 17 and 19 requirements and standards. GRAP 17 requires the cost of rehabilitation of landfill sites to be capitalised as property, plant and equipment and within GRAP 17 the interest of this report is in the depreciation rate of the sites. GRAP 19 requires for costs of rehabilitation of landfill sites to be provided for.

1. 2. 9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1. 5 OFFSETTING

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

1. **BASIS OF PRESENTATION (Continued)**

New Standards and Interpretations

6 Standards and Interpretations effective and adopted in the current year

GRAP 20 : Related Party Disclosures

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person's family is related to the reporting entity if that person:
  * has control or joint control over the reporting entity;
  * has significant influence over the reporting entity;
  * is a member of the management of the entity or its controlling entity.

- An entity is related to the reporting entity if any of the following conditions apply:
  * the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  * one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  * both entities are joint ventures of the same third party;
  * one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  * the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  * the entity is controlled or jointly controlled by a person identified in (a); and
  * a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- Control;
- Related party transactions; and
- Remuneration of management

The entity has adopted the standard for the first time in the 2020/2021 annual financial statements.

1. BASIS OF PRESENTATION (Continued)

GRAP 32 : Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

GRAP 108 : Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

GRAP 109 : Accounting by Principals and Agent

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

IGRAP 17 : Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

1. BASIS OF PRESENTATION (Continued)

IGRAP 18 : Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP

IGRAP 19 : Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:
- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:
- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The adoption of these amendment is not expected to impact on the results of the municipality, but has resulted in more disclosures in the annual financial statements.

2 PROPERTY, PLANT AND EQUIPMENT

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

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, being the fair value of the asset at acquisition date. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2 1 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or service potential associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition, buildings are carried at cost less accumulated depreciation and impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

2 2 Depreciation

Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

The following is an indication of the maximum expected useful lives of the assets:

	Years		Years
Infrastructure		***Buildings***	30
Roads			
Paving	30	**Landfill Sites**	7 - 50
Asphalt	30		
Gravel	10	***Other***	
Electricity	20 - 30	Specialist Vehicles	20
Water	20	Other Vehicles	7
Sewer	20 - 30	Office Equipment	10
		Furniture and Fittings	10
Community		Specialised Plant and Equipment	15
Recreational Facilities	20 -30	Other Plant and Equipment	5
Security	5		
Fencing	3 - 5	**Land**	Indefinite

The assets estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

2. PROPERTY, PLANT AND EQUIPMENT (Continued)

2 3 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation and impairment (if applicable) only commences when the asset becomes available for use and transferred to the relevant asset class.

2 4 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the municipality or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

2 5 Land & Buildings

Land is not depreciated as it is deemed to have an indefinite useful life. Buildings and other structures situated on land is depreciated less their residual value over their useful life.

2 6 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

2 7 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2017, and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3.

3 INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3 1 Initial Recognition

Identifiable non–monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only 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.

3 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

3 **INTANGIBLE ASSETS (continued)**

3 2 Subsequent Measurement, Amortisation and Impairment

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

Intangible asset	Years
Software	2-10

Intangible assets are annually tested for indicators of impairment, including intangible assets not yet available for use. Where items of intangible assets 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 except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

3 3 Derecognition

Intangible assets 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 intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 **INVESTMENT PROPERTY**

4 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) 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 recognized as an asset where, and only where:

- It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality; and
- The cost or fair value of the investment property can be measured reliably.

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.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment or Inventory as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another municipality under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc.; and
- Property held for strategic purposes or service delivery.

4. INVESTMENT PROPERTY (Continued)

4 2 Subsequent Measurement

4 2. 1 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 30 - 60 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The residual value of the investment properties been assumed to be zero.
The land is not depreciated as it has an indefinite useful life.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 3 Derecognition

An investment property shall be derecognised (removed from the statement of financial position) 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.

5 IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

5 1. Impairment of Cash generating assets

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

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 recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

5 2 Impairment of Non-Cash generating assets

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit

5 IMPAIRMENT OF ASSETS (continued)

5 2 Impairment of Non-Cash generating assets

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

6 FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement . The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the municipality's Statement of Financial Position when the municipality becomes party to the contractual provisions of the instrument.

The municipality does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or collectability.

6 1 Financial Assets - Classification

A financial asset is any asset that is cash or a contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial assets at amortised cost

Financial assets at fair value

Financial assets at cost

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial Instruments at Amortised Cost
Bank Balances and Cash	Financial Instruments at Amortised Cost
Consumer Debtors	Financial Instruments at Amortised Cost
Other Debtors	Financial Instruments at Amortised Cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions 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, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets.

6 FINANCIAL INSTRUMENTS (continued)

6 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another municipality. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial liabilities measured at amortised cost
Other Creditors	Financial liabilities measured at amortised cost
Trade Creditors	Financial liabilities measured at amortised cost
Accruals	Financial liabilities measured at amortised cost
Consumer Deposits	Financial liabilities measured at amortised cost
Retention	Financial liabilities measured at amortised cost

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

6 3 Initial and Subsequent Measurement

When a financial asset or financial liability is recognised initially, an municipality shall measure it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate. Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

6 4 Impairment of Financial Assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Debtors encompasses long term debtors, consumer debtors and other debtors.

Initially Debtors are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Debtors within 12 months from the date of reporting are classified as current.

A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of debtors are assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

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 through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2 FINANCIAL INSTRUMENTS (continued)

6 5 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire. The municipality recognises the difference between the carrying amount of the 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, in the Statement of Financial Performance.

7 INVENTORIES

7 1 Initial Recognition

Inventories comprise current assets held for sale and current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current 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.

Where inventory is acquired by the municipality 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.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

7 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an municipality expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and net realisable value.

Water Inventory

Water is regarded as inventory when the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position. The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

8 REVENUE RECOGNITION

8 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another municipality without directly giving approximately equal value in exchange. 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.

8. REVENUE RECOGNITION (Continued)

8 1 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered , the value of which approximates the consideration received or receivable.

8 1. 1 Service Charges

Service charges relating to sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being 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. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

8 1. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

8 1. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

8 1. 4 Tariff Charges

Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

8 1. 5 Sale of Goods

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

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

8 1. 6 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

8 2 Revenue from Non-exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another municipality without directly giving approximately equal value in exchange. 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.

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

8. REVENUE RECOGNITION (Continued)

8 2 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

8 2 2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected which has reached warrant stage.

8 2 3 Revenue from conditional grants, building and funding

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

8 2 4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

9 PROVISIONS

Provisions are recognised when:

- The municipality has a present legal or constructive obligation as a result of past events;
- 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 best estimate of the expenditure required to settle the present obligation is the amount that an municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

9 PROVISIONS (Continued)

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

10 EMPLOYEE BENEFITS

10 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

10 2 Post employment benefits

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

10 2. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in expenditure, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

10 2. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

11 LEASES

Lease Classification
Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases other than finance leases are classified as operating leases.

11 LEASES (continued)

11 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured at lower of fair value of the asset or the PV of the minimum lease payments, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the implicit interest rate method.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to Property, Plant and Equipment or Intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed in the Statement of Financial Performance when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performence on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

11 2 The Municipality as Lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

11 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

12 BORROWING COSTS

Borrowing costs are expensed as they occur.

13 GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

14 VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991. 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.

15. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is overspending on the total amount appropriated in the municipality's budget or overspending on the total amount appropriated for a vote or expenditure unrelated to the departmental of functional area or expenditure of money appropriated for a specific purpose or a grant by the municipality otherwise than in accordance with the conditions in terms of the Municipal Finance Management Act (Act No 56 of 2003). 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable. Unauthorised expenditure can only be treated as an asset (receivable) if a responsible party to recover the money from is identified.

16 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), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

18 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of changes in accounting policies where applicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of corrections of errors recorded during the period under review where applicable.

19 RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Related parties include key management personnel such as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager and close family members of key management personnel.

20 EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

21 FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

22 COMPARATIVE INFORMATION

22 1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 24, been provided to these financial statements and forms part of the Annual Financial Statements.

22 COMPARATIVE INFORMATION (continued)

22 2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified, unless a standard of GRAP does not require the restatements of comparative information. The nature and reasons for the reclassification are disclosed. Where material accounting errors 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.

22 3 Budget Information

The annual budget figures for the period 1 July 2016 to 30 June 2017 have been prepared and presented in accordance with the GRAP standard under the accrual basis of accounting for budgets approved by Council by nature classification, and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan.

23 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

24 TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

25 CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

26 MATERIAL LOSSES

Water and electricity losses are required to be disclosed as part of the material loss disclosure of the MFMA Section 125.

Losses are calculated on the following basis -
• Nr of units of lost supply, being the difference between what was supplied and what has been sold at the per unit tariff rate.
• The unit tariff rate, in the case of electricity being the lower rate of Kwh as charged per council and the case of water the lowest rate per Kl (excel VAT).

27 STATUTORY RECEIVABLES

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.
Carrying amount is the amount at which an asset is recognised in the statement of financial position.
The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.
Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.
The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

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

Initial measurement
The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
• interest or other charges that may have accrued on the receivable (where applicable);
• impairment losses; and
• amounts derecognised

Accrued interest

Where the entity levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.
Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

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

Impairment losses

The entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.
In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:
• Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
• It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
• A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
• Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.
If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.
In estimating the future cash flows, an entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.
An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.
Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:
• the rights to the cash flows from the receivable are settled, expire or are waived;
• the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
• the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
o derecognise the receivable; and
o recognise separately any rights and obligations created or retained in the transfer.
The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

28 ACCOUNTING BY PRINCIPLES AND AGENTS

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.
A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.
A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).
Identifying whether an entity is a principal or an agent
When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.
The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.
Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.
Assessing which entity benefits from the transactions with third parties
When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.
The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

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

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

Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.
The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.
The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

29 RELATED PARTIES

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.
Control is the power to govem the financial and operating policies of an entity so as to obtain benefits from its activities.
Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).
Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.
Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.
Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.
Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.
The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.
Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements

	2023	2022
	R	R

1. GENERAL INFORMATION

Kou-Kamma Municipality (the municipality) is a local government institution in the Eastern Cape, and is one of eight local municipalities under the jurisdiction of the Sarah Baartman District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

	2023 R	2022 R
Consumable Store	467 275	325 710
Water - at cost	50 216	67 553
Total Inventories	**517 491**	**393 264**

All inventory at year end is carried at cost.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2023 R	2022 R
Debtors: Exchange transactions		
Electricity	116 327 099	106 960 221
Refuse	379 320	298 737
Sewerage	16 218 458	14 475 741
Water	33 136 800	29 627 439
Other Receivables	66 285 316	62 488 235
Housing	307 205	70 069
Loan instalments	307 205	56 879
		13 190
Less: Provision for Impairment and interest		
Electricity	(75 903 387)	(86 215 419)
Refuse	(64 417)	(64 404)
Sewerage	(3 199 766)	(27 003 993)
Water	(4 988 471)	(8 843 897)
Housing rental	(21 244 090)	(4 790 865)
Loan instalments	(160 618)	(92 040)
Interest		(6 262)
	(46 246 025)	(45 413 958)
Total Receivables from Exchange Transactions	**40 423 712**	**20 744 802**

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and debtors as well as the current payment ratio's of the municipality's debtors.

3.1 Ageing of Receivables from Exchange Transactions

	2023 R	2022 R
Electricity		
Current (0 -30 days)	9 792	(5 473)
31 - 60 days	14 471	3 969
61 - 90 days	11 781	2 667
91 - 120 days	14 915	11 724
+120 days	195 202	173 716
Interest	133 159	112 132
Allowance for debt impairment	(159 715)	(149 600)
	219 605	**149 137**

	2023 R	2022 R
Water		
Current (0 -30 days)	1 225 102	1 072 459
31 - 60 days	1 177 359	4 033 597
61 - 90 days	1 191 001	2 206 055
91 - 120 days	1 175 838	1 601 174
+120 days	24 429 176	27 927 617
Interest	37 086 839	25 647 333
Allowance for debt impairment	(43 762 276)	(49 632 240)
	22 523 040	12 856 996

	2023 R	2022 R
Sewerage		
Current (0 -30 days)	620 876	588 385
31 - 60 days	678 992	686 487
61 - 90 days	622 178	663 518
91 - 120 days	591 557	371 255
+120 days	10 138 549	10 158 416
Interest	20 484 650	17 179 378
Allowance for debt impairment	(21 124 732)	(24 536 666)
	12 012 068	5 090 773

	2023 R	2022 R
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
3.1 Ageing of Receivables from Exchange Transactions (continued)		
Refuse		
Current (0 -30 days)	377 447	323 082
31 - 60 days	380 634	364 590
61 - 90 days	328 137	356 351
91 - 120 days	328 477	235 794
+120 days	5 420 371	5 383 095
Interest	9 383 393	7 812 829
Allowance for debt impairment	(10 696 046)	(11 792 928)
	5 522 412	**2 682 813**
Housing rental		
Current (0 -30 days)	2 455	(140 942)
31 - 60 days	189 298	2 455
61 - 90 days	2 455	2 455
91 - 120 days	2 101	2 132
+120 days	64 996	182 764
Interest	(28 827)	8 015
Allowance for debt impairment	(151 805)	(95 254)
	80 673	**(38 376)**
Loan Instalments (and sundry)		
Current (0 -30 days)	3 447	(1 442)
31 - 60 days	6 068	3 352
61 - 90 days	1 182	1 182
91 - 120 days	1 182	1 182
+120 days	15 633	6 332
Interest	47 214	2 583
Allowance for debt impairment	(8 813)	(8 730)
	65 914	**4 460**
Interest: Exchange Transactions		
Interest	67 106 427	50 762 271
Allowance for debt impairment	(46 246 025)	(45 413 958)
	20 860 402	**5 348 313**
3.2 Reconciliation of the Provision for Impairment		
Balance at beginning of year	(86 215 419)	(164 368 916)
(Allowance raised) / reversal of allowance	(45 057 460)	(25 746 691)
Amounts written off as uncollectable	55 369 491	103 900 189
Balance at end of year	**(75 903 387)**	**(86 215 419)**

Provision for Impairment excludes VAT however Note 3.1 includes VAT.

	2023	2022
Receivables from exchange transactions past due but not impaired	R	R

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of debtors has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. Individually significant debtors have been considered for impairment, in terms of GRAP 104, however none were impaired. At 30 June 2023 R 6 842 674 (2022:R 10 142 749) were past due but not impaired.

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

	2023	2022
1 month past due	2 239 118	1 836 069
2 months past due	2 446 821	5 074 451
3 months past due	2 156 735	3 232 229
	6 842 674	**10 142 749**

No debtors were pledged as security.

3.3 Ageing of impaired Receivables from Exchange Transactions

As at 30 June 2023	**Current**	**Past Due**			**Total**
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	2 239 118	2 446 821	2 156 735	109 484 426	116 327 100
Less : provision for Interest				(46 246 025)	(46 246 025)
Less: Provision for Impairment				(29 657 362)	(29 657 362)
Net Balances	**2 239 118**	**2 446 821**	**2 156 735**	**33 581 039**	**40 423 713**

	2023	2022
	R	R

3.3 Ageing of impaired Receivables from Exchange Transactions (continued)

As at 30 June 2022

	Current	Past Due			
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	Total
All Receivables:					
Gross Balances	1 836 069	5 074 451	3 227 483	96 822 218	106 960 221
Less : provision for interest				(45 413 958)	(45 413 958)
Less: Provision for Impairment				(40 801 461)	(40 801 461)
Net Balances	1 836 069	5 074 451	3 227 483	10 606 800	20 744 802

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

3.3 Ageing of impaired Receivables from Exchange Transactions (continued)

As at 30 June 2022

	Current	Past Due			
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	Total
All Receivables:					
Gross Balances	1 836 069	5 074 451	3 227 483	96 822 218	106 960 221
Less : provision for interest				(45 413 958)	(45 413 958)
Less: Provision for Impairment				(40 801 461)	(40 801 461)
Net Balances	1 836 069	5 074 451	3 227 483	10 606 800	20 744 802

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

As at 30 June 2023	Gross Balances R	Provision for Impairment R	Net Balances R
Assessment Rates Debtors	80 401 263	(48 215 047)	32 186 216
Fines receivable	37 719 424	(22 892 674)	14 826 750
Other claims	1 720 850	-	1 720 850
Control, Clearing and Interface Accounts	2 568 440	-	2 568 440
Total Receivables from Non-exchange Transactions	122 409 977	(71 107 721)	51 302 256

As at 30 June 2022	Gross Balances R	Provision for Impairment R	Net Balances R
Assessment Rates Debtors	66 749 184	(41 920 491)	24 828 693
Fines receivable	43 371 053	(32 058 685)	11 312 368
Other receivables from non exchange transactions	2 705 545	-	2 705 545
Control, Clearing and Interface Accounts	1 802 055	-	1 802 055
Total Receivables from Non-exchange Transactions	114 627 836	(73 979 176)	40 648 661

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

Interest: Non-Exchange Transactions: Rates

Interest	20 014 580	17 008 702
Allowance for debt impairment	(9 882 531)	(10 366 606)
	10 132 048	6 642 096

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratio's of Other Debtors were also taken into account for fair value determination.

	2023 R	2022 R

4.1 Ageing of Receivables from Non-exchange Transactions (continued)

As at 30 June 2023

	Current 0 - 30 days	Past Due 31 - 60 Days	61 - 90 Days	+ 90 Days	Total
Assessment Rates:					
Gross Balances	1 503 761	1 339 431	1 160 495	76 397 576	80 401 263
Less: Provision for Impairment				(48 215 047)	(48 215 047)
Net Balances	1 503 761	1 339 431	1 160 495	28 182 529	32 186 216
Other receivables from non exchange transactions:					
Gross Balances					-
Traffic Fines	37 719 424				37 719 424
Less: Provision for Impairment	(22 892 674)				(22 892 674)
Other claims	1 720 850				1 720 850
Net Balances	16 547 600	-	-	-	16 547 600

Other receivables from non exchange transactions:

		Total
Current (0 -30 days)	16 547 600	48 733 816
	16 547 600	48 733 816

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2022

	Current 0 - 30 days	Past Due 31 - 60 Days	61 - 90 Days	+ 90 Days	Total
Assessment Rates:					
Gross Balances	(378 537)	643 508	589 355	65 894 858	66 749 184
Less: Provision for Impairment				(41 920 491)	(41 920 491)
Net Balances	(378 537)	643 508	589 355	23 974 367	24 828 693
Other receivables from non exchange transactions:					
Gross Balances	2 705 544				2 705 544
Traffic Fines	43 275 436				43 275 436
Less: Provision for Impairment	(32 128 165)				(32 128 165)
Net Balances	13 852 815	-	-	-	13 852 815

Other receivables from non exchange transactions:

		Total
Current (0 -30 days)	24 841 342	38 681 508
	24 841 342	38 681 508

Rates		
Current (0 -30 days)	1 277 189	(378 537)
31 - 60 days	1 116 942	643 508
61 - 90 days	942 696	589 355
91 - 120 days	895 121	554 915
+120 days	54 615 377	48 331 241
Interest	21 553 938	17 008 702
Allowance for debt impairment	(48 215 047)	(41 920 491)
	32 186 216	24 828 693

4.2 Reconciliation of Provision for Impairment

Balance at beginning of year	(41 920 491)	(36 296 824)
Impairment Losses recognised	(6 294 556)	(5 623 667)
Impairment Losses reversal		
Balance at end of year	(48 215 047)	(41 920 491)

The Provision for Impairment on debtors exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. Individually significant debtors have been considered for impairment, in terms of GRAP 104, however none were impaired. At 30 June 2023 R 3 336 827 (2022: R 854 326) were past due but not impaired.

1 month past due	1 277 189	(378 537)
2 months past due	1 116 942	643 508
3 months past due	942 696	589 355
	3 336 827	854 326

4.3 Statutory receivables

In accordance with the principles of GRAP 108, Statutory Receivables of the Municipality are classified as follows

Statuary Receivables		
Assessment Rates Debtors	58 847 325	49 740 481
Vat Receivable / Payable	9 216 587	14 472 490
Fines receivable	37 719 424	43 275 436
	96 566 749	93 015 918

	2023	2022
	R	R

Refer to note 4 for more detail relating to the Fines receivables and Assessment rates receivables, including any provision for impairment raised against the gross amount disclosed

5. VAT

	9 216 587	14 472 490

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors.

Refer to note 5 for more detail relating to the VAT receivables disclosed

6. PROPERTY, PLANT AND EQUIPMENT

	2023			2022		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land	5 433 499	-	5 433 499	5 244 499	189 000	5 433 499
Buildings	5 622 144	(3 519 621)	2 102 524	5 622 145	(3 365 057)	2 257 088
Other property, plant and equipment	22 997 024	(11 204 601)	11 792 423	17 705 616	(9 534 363)	8 171 252
Infrastructure	464 372 209	(236 407 319)	227 964 890	463 902 621	(216 697 933)	247 204 688
Landfill sites	2 095 511	(929 137)	1 166 374	2 095 511	(826 183)	1 269 327
Community	97 281 438	(28 1'5 948)	69 165 490	76 343 728	(25 123 341)	51 220 387
Infrastructure - WIP	44 388 796	-	44 388 796	35 299 582	-	35 299 582
Total	642 190 622	(280 176 626)	362 013 996	608 213 700	(258 357 877)	350 855 823

Reconciliation of property, plant and equipment - 2023

	Opening	Additions / Fair value adjustment	Disposals	Transfers	Depreciation	Impairment	Total
Land	5 433 499			-	-		5 433 499
Buildings	2 257 088			-	(154 564)		2 102 524
Other property, plant and equipment	8 171 262	5 182 630	-	-	(1 561 459)		11 792 423
Infrastructure	247 204 688				(19 239 798)	-	227 964 890
Landfill sites	1 269 327		-		(102 954)		1 166 373
Community	51 220 387			20 914 514	(2 969 410)		69 165 491
Infrastructure - WIP	35 299 582	30 003 726		(20 914 514)	-		44 388 796
	350 855 823	35 186 356	-		(24 028 186)	-	362 013 996

Reconciliation of property, plant and equipment - 2022

	Opening	Additions	Disposals	Transfers	Depreciation	Impairment/correction	Total
Land	5 169 499			75 000	-	189 000	5 433 499
Buildings	2 410 523				(153 435)		2 257 088
Other property, plant and equipment	6 980 655	1 224 215	(61 796)		(1 033 221)	1 081 399	8 171 252
Infrastructure	234 220 559		(528 245)	31 899 948	(18 366 574)		247 204 688
Landfill sites	1 574 835				(305 508)		1 269 327
Community	40 863 459		(90 680)	13 063 037	(2 615 429)		51 220 387
Infrastructure - WIP	32 171 397	48 166 170		(45 037 985)			35 299 582
	323 370 927	49 390 385	(681 721)	-	(22 494 167)	1 270 399	350 855 823

Kou-kamma property has not been pledged as securities for any liability

9. INTANGIBLE ASSETS

	2023			2022		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Computer software	544 313	(501 639)	42 674	544 313	(462 817)	81 496

Reconciliation of intangible assets - 2023

	Opening	Additions	Amortisation	Total
Computer software	81 496	-	(38 822)	42 674

Reconciliation of intangible assets - 2022

	Opening	Additions	Amortisation	Total
Computer software	240 484		(158 988)	81 496

Kou-kamma property has not been pledged as securities for any liability

10. INVESTMENT PROPERTY

	2023			2022		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Investment property - Land	24 773 446	-	24 773 446	24 773 446		24 773 446
Investment property - Buildings	869 937	(672 586)	197 351	869 937	(658 843)	211 094
	25 643 383	(672 586)	24 970 797	25 643 383	(658 843)	24 984 540

Reconciliation of investment property - 2023

	Opening	Correction/impairment	Disposal	Depreciation	Total
Investment property - Land	24 768 446	-		-	24 768 446
Investment property - Buildings	216 095		-	(13 744)	202 351
	24 984 541			(13 744)	24 970 797

Reconciliation of investment property - 2022

	Opening	Correction/impairment	Disposal	Depreciation	Total
Investment property - Land	24 768 446				24 768 446
Investment property - Buildings	229 253			(13 158)	216 094
	24 997 699			(13 158)	24 984 540

Details of property

Kou-kamma property has not been pledged as securities for any liability

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

11. CONSUMER DEPOSITS

	2023 R	2022 R
Electricity and Water	105 758	105 758
Total Consumer Deposits	**105 758**	**105 758**

No additional consumer deposits have been raised.

12. PROVISIONS LEAVE

	2023 R	2022 R
Balance at beginning of Year	110 788	436 914
Increase/(Decrease) in Provision	646 245	(326 126)
Total Provisions	**757 033**	**110 788**

This provision is relating to leave.

13. PAYABLES

13 PAYABLES FROM EXCHANGE TRANSACTIONS

	2023 R	2022 R
Payables and Accruals	27 806 736	34 760 790
Unallocated Deposits	38 529	48 200
Retentions	2 198 584	2 179 449
INEP - Integrated National Electrification Programme refund to Sarah Baartman DM	1 843 929	-
Total Payables	**31 887 779**	**36 988 439**

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

14. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2023 R	2022 R
DSRAC - Library Subsidy	-	328 713
Small Town Revitalisation	(437 346)	(4 730 548)
MIG - Municipal Infrastructure Grant	1 928 450	(5 100 842)
INEP - Integrated National Electrification Programme	-	1 843 929
DEDEA - Waste Management Grant	-	-
EPWP- Expanded Public Works Programme	-	235 506
Other grants	816 985	214 976
FMG	-	-
Fire grant		(279 614)
Total Unspent Conditional Grants	**2 308 090**	**(7 487 880)**

Grants spent during the financial year is in accordance with the conditions thereof.

15. EMPLOYEE BENEFIT LIABILITIES

	2023 R	2022 R
EMPLOYEE BENEFITS		
Bonus	1 483 926	1 656 028
Long Service Bonus	3 406 339	3 368 397
Post employment medical subsidy	7 446 739	6 329 023
	12 337 004	**11 353 448**
Bonus		
Opening balance	1 656 028	1 615 923
Increase / decrease	(172 102)	40 105
Closing balance	**1 483 926**	**1 656 028**
Transfer to current provisions	1 483 926	1 656 028
Total of non-current provisions	-	-

Provision for bonuses excludes performance bonuses of s57 employees. The provision only takes the 13th cheque of all other employees into account. The municipality has not paid out any performance bonusses for the past few years. The last three financials years performance assessments has not yet been completed. In addition to this the cashflow position of the municipality is very limited. It is based on these factors that management has decided not to provide for performance bonusses.

	2023 R	2022 R
Post employment medical subsidy		
Opening balance	6 329 023	5 517 000
Current service cost	814 592	359 000
Current interest cost	483 121	555 000
Medical contributions subsidies for continuation pensioners	(218 759)	(150 000)
Actual(gain)/loss on assumption	(549 953)	48 023
Actual(gain)/loss on experience	588 715	
Closing balance	**7 446 739**	**6 329 023**
Transfer to current provisions	288 397	157 129
Total of non-current provisions	7 158 342	6 171 894

The project unit credit method have been applied to determine the liabilities, projected liability is based on actuarial assumptions about the future. This assumptions are set to realistic and individually justifiable, variations emerge at each valuation as actual gains or losses

	2023 R	2022 R
Long services bonus awards		
Opening balance	3 368 397	3 052 000

	2023 R	2022 R
Current service cost	382 615	375 000
Current interest cost	356 868	262 000
Expectance benefits payments	(129 534)	(376 000)
Actual(gain)/loss over financial year	(572 007)	55 397
Closing balance	3 406 339	3 368 397
Transfer to current provisions	756 021	325 435
Total of non-current provisions	2 650 318	3 042 962

The results and opinions contained in this report are subjected to the following data summary and limitations

	2023	2022
Eligible employees		
Number of employees	172	163
Average annual salary ®	205 450	202 961
Average age (years)	43	43
Average past service (years)	10	12
Net discount rates		
Discount rate	0	0
CPI	0	0
Salary increase rate	0	0
Net discount rate	0	0

The accounting standards requires that the liability are valued using the projected unit credit method . We have therefore used this method to value the liabilities

Demographic and Mortality assumption

	2023 R	2022 R
Normal retirement age	65	65
Assumed retirement age (years)	62	62
Mortality	SA85-90	SA85-90
Withdrawal assumptions over evaluation periods		
age		
20	0	0
25	0	0
30	0	0
35	0	0
40	0	0
45	0	0
50	0	0
55+	0	0

16. NON-CURRENT PROVISIONS

Reconciliation of non-current provisions
Environmental rehabilitation

	2023 R	2022 R
Opening Balance	3 406 243	3 228 666
Increase in provision due to discounting	187 343	177 577
Total Non-Current Provision	**3 593 586**	**3 406 243**

Assumptions for landfill site provision

The most critical assumptions for estimating the life expectancy and rehabilitation costs of a landfill are:

- Available permitted airspace (typically expressed in cubic metres (m3). The sites will ultimately be used from one side of the fence to the other along the sites' perimeter. However, the final land use has not been determined for all these sites which would indicate the height that is useful for the sites hence the report assumes that, for the sake of calculations, the height of the sites will be between 3 and 5 meters from the lowest level reached by the waste.

- Airspace utilization factor commonly referred to as the in-place waste density (typically expressed as tons of waste placed per cubic meter of airspace consumed (tons/m3). The average density of the waste is between 0, 75 T/m3 to 1, 20 T/m3, depending on waste type and compaction efficiency, as prescribed by DWAF Minimum Requirements for Waste Disposal by Landfill (Second Edition, 1998). In this report it has been assumed that it is 0.75T/m.

- Waste acceptance rate (typically expressed in tons per year (tpy). Daily deposition of waste is about 10 Tons/per day (estimates given by municipal staff and there were no proper records kept).

- The sites listed below, have been in existence for the reporting period:

Joubertina
Krakeelrivier
Coldstream
Woodlands

- the methodology prescribed by DWAF assumes that landfilling is done instead of waste dumping.

	2023 R	2022 R
PROVISIONS LEAVE		
Balance at beginning of Year	3 175 913	4 266 478
Increase/(Decrease) in Provision	405 874	(979 777)
Transfer to current provisions	(757 033)	(110 788)
Total Provisions	**2 824 753**	**3 175 913**
	-	

17 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

	2023 R	2022 R
Accumulated Surplus / (Deficit) due to the results of Operations	**438 617 586**	**406 024 325**

18 PROPERTY RATES

	2023 R	2022 R
Rates received		
Residential	5 699 046	3 825 779
Commercial	3 041 623	3 165 684
State	7 752 663	-
Agricultural	(2 087 939)	2 302 711
Exempted Properties	4 871 219	5 681 938
Farm Properties	6 293 818	4 706 620
Agricultural Property	-	(1 649 987)
	25 570 430	**18 032 745**

18 PROPERTY RATES (continued)

Valuations	2023 R	2022 R
Residential	1 334 740 000	1 013 058 740
Commercial	410 142 000	272 492 000
State	261 602 000	505 243 990
Agriculture	2 843 155 000	2 053 029 199
Exempted properties	35 053 000	215 751 500
	4 884 692 000	**4 059 575 429**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2022. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. A 6.0 per cent increase in tariffs has been applied.

A general rate of 1.0717c is applied to property valuations to determine assessment rates. Rebates of 30% are granted to properties where municipality does not provide services

Rates are levied on an annual basis, with the option of paying the rates on a monthly basis.

19 FINES

	2023 R	2022 R
Traffic fines accrual	26 407 056	43 371 053
Traffic fines collected	4 053 894	2 635 697
	30 460 950	**46 006 750**

20 INCOME FROM AGENCY SERVICES

The following income is generated:

20.1. Department of transport

	2023 R	2022 R
Driver License Fees	502 514	1 043 965
Motor Vehicle licenses	1 235 758	1 325 770
Roadworthy certificates	6 111	-
	1 744 383	**2 369 735**
Driver License Fees		
Revenue received/to be received on behalf of principal	554 069	1 043 965
Expenditure paid/to be paid on principal	(51 555)	-
	502 514	**1 043 965**
Motor Vehicles Licences		
Revenue received/to be received on behalf of principal	5 042 859	5 002 143
Expenditure paid/to be paid on principal	(3 807 102)	(3 676 373)
	1 235 758	**1 325 770**
Roadworthy		
Revenue received/to be received on behalf of principal	6 111	-
Expenditure paid/to be paid on principal	-	-
	6 111	-

The municipality collects vehicle registration fees on behalf of the Department of Transport for registration of vehicles done within the municipality's jurisdiction. There have been no changes in the agreement or contracts from the prior period. The municipality is entitled to 19% of the fees collected as per the agreement as compensation for the transactions carried out. There are no liabilities or expenses that has been incurred on behalf of the Department of Transport relating to the above Arrangement

20.2 Sarah Baartman District municipality

Fire Services

	2023 R	2022 R
Revenue received/to be received on behalf of principal	1 744 383	1 424 459
Expenditure paid/to be paid on principal	(1 397 195)	(731 620)

Receivables on behalf of Principal

	2023 R	2022 R
Opening Balance	1 009 476	1 176 934
Revenue receivable	1 064 577	1 257 000
Amount received	(1 744 383)	(1 424 459)
	329 670	**1 009 476**

The municipality entered into an agreement with Sarah Baartman for the provision of specialised fire services falling within the territorial jurisdiction of the municipality. The district municipality consequently obliged to render financial and /infrastructural support to the municipality for the performance of the agreed services

21 GOVERNMENT GRANTS AND SUBSIDIES RECOGNISED

	2023 R	2022 R
National Equitable Share	60 474 000	54 362 000
FMG - Finance Management Grant	2 650 000	2 650 000
Other grants	345 153	528 519
EPWP - Expanded Public Works Programme	1 384 423	1 046 402
MIG - Municipal Infrastructure Grant: PMU	1 249 850	434 466
DSRAC - Library Subsidy	1 628 713	1 350 227
MIG - Municipal Infrastructure Grant	16 698 020	16 861 544
INEP - Integrated National Electrification Programme	-	1 262 073
DEDEA - Waste Management Grant	-	189 318
Sarah Baartman District Municipality: Fire Services	-	1 424 459
MDRG - Municipal Disaster Relief Grant	-	6 380 000
Small Town Revitalisation	23 432 330	31 812 000
Total Government Grants and Subsidies	**107 862 489**	**118 301 008**

National: Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy based on monthly billing, towards the consumer account, which is determined annually by council. All residential households receive 6kl water and some poor areas 50kWh electricity free every month.

	2023 R	2022 R
FMG - Finance Management Grant		
Balance unspent at beginning of year	-	-
Current year receipts	2 650 000	2 650 000
Conditions met - transferred to Revenue	(2 650 000)	(2 650 000)
Balance at the end of the year	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003.

	2023 R	2022 R
MIG - Municipal Infrastructure Grant: PMU		
Balance unspent at beginning of year	-	-
Current year receipts recognised	1 249 850	434 466
Transferred to Revenue	(1 249 850)	(434 466)
Balance at the end of the year	-	-

Grant purpose: This relates to the 5% PMU charge as part of the MIG allocation

	2023 R	2022 R
DSRAC - Library Subsidy		
Balance unspent at beginning of year	328 713	378 940
Current year receipts	1 300 000	1 300 000
Transferred to Revenue	(1 957 426)	(1 350 227)
Balance at the end of the year	-	**328 713**

Grant purpose: The purpose of the grant is a subsidy for library services in the Kou-kami district. The subsidy covers salaries, operation and maintenance costs.

	2023 R	2022 R
MIG - Municipal Infrastructure Grant		
Balance at beginning of year	(5 100 842)	(4 299 839)
Current year receipts	23 747 150	15 232 300
Transferred to Revenue	(16 698 020)	(16 033 303)
Other Adjustments/Refunds	-	-
Balance at the end of the year	**1 948 288**	**(5 100 842)**

Grant purpose: The purpose of the MIG grant is to provide capital funding for the upgrading, maintenance of the municipal infrastructure in order to provide basic services to the community.

	2023 R	2022 R
INEP - Integrated National Electrification Programme		
Balance unspent at beginning of year	1 843 930	1 738 003
Current year receipts	-	1 368 000
Transferred to Revenue	-	(1 262 073)
Other Adjustments	(1 843 930)	-
Balance at the end of the year	-	**1 843 930**

Grant Purpose: The purpose of the grant is to implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure.

	2023 R	2022 R
MDRG - Municipal Disaster Relief Grant		
Balance unspent at beginning of year	-	-
Current year receipts	-	6 380 000
Transferred to Revenue	-	(6 380 000)
Balance at the end of the year	-	-

Grant purpose: Covid 19 Relief fund to Municipalities

	2023 R	2022 R
DEDEA - Waste Management Grant		
Balance unspent at beginning of year	-	189 317
Current year receipts	-	-
Transferred to Revenue	-	(189 318)
Balance at the end of the year	-	-

Grant purpose: Waste management within the municipal boundaries

	2023 R	2022 R
EPWP - Expanded Public Works Programme		
Balance unspent at beginning of year	235 506	18 908
Current year receipts	1 270 000	1 263 000
Amount reverted back	(235 506)	
Transferred to Revenue	(1 384 423)	(1 046 402)
Balance at the end of the year	-	**235 506**

Grant purpose: To provide employment to improve the quality of life of unemployed people through the appointment of them to do labour intensive projects for example: Road

22 SERVICE CHARGES

	2023 R	2022 R
Sale of Electricity	2 759 770	3 006 115
Sale of Water	17 790 752	17 567 480
Refuse Removal	4 573 899	4 261 700
Sewerage and Sanitation Charges	7 736 835	7 284 925
Total Service Charges	**32 861 256**	**32 120 221**
Attributable to:		
Continuing Operations	32 861 256	32 120 221
	32 861 256	**32 120 221**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

23 RENTAL OF FACILITIES AND EQUIPMENT

	2023 R	2022 R
Operating Lease Rental Revenue:		
Halls		
Houses		
Facilities and equipment		
Rental of equipment	-	113 433
Rental other	232 514	110 109
Total Rental of Facilities and Equipment	**232 514**	**223 542**
	-	-
Attributable to:		
Continuing Operations	**232 514**	**223 542**
	232 514	223 542
	232 514	**223 542**

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

24 INTEREST EARNED

	2023 R	2022 R
External Investments:		
Bank Account and short term deposits	424 224	158 568
Total Interest Earned	**424 224**	**158 568**
Outstanding Debtors:		
Debtors : Service charges	14 171 716	13 943 702
Debtors : Rates	4 518 283	4 883 778
Total Interest Earned Outstanding Debtors	**18 689 999**	**18 827 480**
Total	**19 114 223**	**18 986 048**

25 OTHER REVENUE

	2023 R	2022 R
Other income from exchange transactions		
Municipal Information and Statistics	88 827	84 958
Incidental Cash Surpluses	1 216 021	1 420 961
Valuation Services	8 890	8 215
Clearance Certificates	18 249	29 741
Photo copies, Faxes and Telephone charges	61	309
Building Plan Approval	198 310	173 025
Encroachment Fees	31 463	8 275

	2023 R	2022 R
Cemetery and Burial	88 797	121 224
Fire Services	11 321	6 759
Total Other Revenue	**1 661 938**	**1 853 468**
Attributable to:		
Continuing Operations	1 661 938	1 853 468
	1 661 938	**1 853 468**

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 18 to 23, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

26 EMPLOYEE RELATED COSTS

	2023 R	2022 R
Basic Salaries	39 928 129	38 306 209
car allowance : essential user	309 278	332 397
Bargaining council contribution	34 579	21 183
Medical contribution	3 495 755	3 172 992
Pension contribution	6 013 182	5 725 499
Unemployment insurance contribution	365 444	356 093
Cell phone allowance	148 581	66 000
Leave pay	677 940	144 845
Bonus	2 605 381	2 738 358
Overtime	4 704 798	4 020 153
Acting allowance	687 426	457 580
Housing benefit	210 736	265 443
Car allowance : perk scheme	1 850 463	2 137 213
Long service award	188 897	482 938
Standby allowance	711 039	658 071
Night shift allowance	154 207	130 694
	62 085 837	**59 015 667**

The covid allowance is included in the employee related costs

	2023 R	2022 R
Attributable to:		
Total Employee Related Costs	62 085 837	59 015 667
	62 085 837	**59 015 667**

Remuneration of Section 57 employees:

Remuneration of the Municipal Manager (Kate P M)		
Council contribution	12 609	14 274
Annual Salary	379 834	969 583
Leave paid out	180 926	-
Travel allowance	80 000	274 108
Total	**653 369**	**1 257 965**

Remuneration of the Municipal Manager (Tini S)		
Acting allowance	70 999	
Total	**70 999**	-

Remuneration of the Chief Financial Officer (Venter N.)		
Council contribution	-	
Annual Salary	2 125	13 863
Travel Allowance	997 733	1 000 156
Acting allowance	92 000	36 000
Leave paid	8 763	144 846
Total	**1 100 621**	**1 194 865**

Remuneration of the Manager: Corporate Services (Tom T.)		
Council contribution	114 970	-
Annual Salaries	260 392	523 083
Leave payout	201 902	272 952

	2023 R	2022 R
Travel allowance	100 000	-
Total	**677 264**	**796 035**
The Manager: Corporate Services Ms Tom T. was terminated November 2022		
Remuneration of the Manager: Corporate Services (Somtseu LT.)		
Council contribution	19 403	-
Annual Salary	105 829	-
Travel allowance	21 273	-
Total	**146 505**	-
The Manager: Corporate Services Somtseu LT. was appointed 1 May 2023		
Remuneration of the Director: Technical & Community Services (Qalaba M)		
Council contribution	177 373	187 514

	2023 R	2022 R
Annual Salary	657 563	637 223
Travel allowance	240 000	240 000
Total	**1 074 936**	**1 064 737**

27 REMUNERATION OF COUNCILLORS

	2023	2022
Mayor	886 140	896 716
Speaker	703 451	396 261
Other Councillors	3 187 448	2 816 146
	4 777 039	4 109 124

Councillors' remuneration

	2023	2022
Cllr. Yake F.J.	886 140	595 167
Cllr. Strydom F.	303 196	281 102
Cllr Vuso	-	301 549
Cllr. Maasdorp D.	703 451	396 261
Cllr. Smith K.	386 991	314 850
Cllr. Krige J.	303 196	274 255
Cllr. Fillis R.C	388 631	216 833
Cllr. Campher R.G	385 791	216 343
Cllr. Persent V.X.E	301 996	168 900
Cllr. Ncethezo S.D	226 797	168 900
Cllr. Sikiwe N.	376 440	192 992
Cllr. Jantjies B.T	301 996	180 946
Cllr. Ferguson S.	214 415	168 900
Cllr. Plaatjies J.	-	105 354
Cllr. Herman F.E.	-	105 354
Cllr. Goliath G.G.M.	-	105 354
Cllr. Pullen H.P.	-	105 354
Cllr. Jansen J.	-	105 354
Cllr. Plaatjies W	-	105 354
	4 777 039	4 109 124

In-kind Benefits

The Executive Mayor is full-time and is provided with an office and secretarial support at the cost of the Council.
The speaker is full-time and is provided with an office and secretarial support at the cost of the Council.
The councillor salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution

28 DEPRECIATION AND AMORTISATION

	2023	2022
Depreciation: Property, Plant and Equipment	24 028 186	22 494 167
Impairment loss: Property, Plant and Equipment	-	48 879
Amortisation: Intangible Assets	38 822	158 988
Depreciation: Investment Property	13 744	11 158
Total Depreciation and Amortisation	**24 080 751**	**22 713 192**
Attributable to:		
Continuing Operations	24 080 751	22 713 192
	24 080 751	22 713 192

29 FINANCE COSTS

	2023	2022
Overdraft		28 119
Creditors Overdue	562 643	393 396

	2023 R	2022 R
Attributable to:	**562 643**	**421 515**
	562 643	421 515

	2023 R	2022 R
Continuing Operations	562 643	421 515
30 BULK PURCHASES		
Electricity	5 433 305	5 304 359
Total Bulk Purchases	**5 433 305**	**5 304 359**
31 CONTRACTED SERVICES and INVENTORY CONSUMED		
Outsourced Services	2 507 676	3 544 410
Consultants and Professional Services	3 006 459	2 508 403
Contractors	2 985 462	1 724 663
Inventory consumed	5 662 552	6 466 218
Total Contracted Services	**14 162 150**	**14 243 714**
Attributable to:		
Continuing operations	14 162 150	14 243 714
	14 162 150	**14 243 714**
Repairs and maintenance expenditure : Infrastructure assets		
Inventory Consumed	587 793	665 583
Contractors	1 147 963	926 005
Consultants and Professional Services	1 062 375	1 290 733
Outsourced Services	85 713	13 611
The repairs and maintenance expenditure that relate to Infrastructure Assets	**2 883 844**	**2 895 931**
32 Total General Expenses		
Skills Development Fund Levy	509 868	531 073
Achievements and Awards	149 253	56 269
Corporate and Municipal Activities	334 706	346 732
Own Transport	1 063 391	259 140
Accommodation	747 758	365 779
Ward Committees	523 500	321 802
Postage/Stamps/Franking Machines	72 130	60 300
Hire Charges	13 837	94 107
Printing, Publications and Books	-	24 374
Radio and TV Transmissions	-	3 000
External Audit Fees	4 184 576	2 610 293
Software Licences	1 879 862	174 442
Municipal Services	6 215 676	5 985 611
Telephone, Fax, Telegraph and Telex	1 398 029	1 575 885
Bank Accounts	312 766	382 259
Specialised Computer Service	-	516 653
Staff Recruitment	366 426	145 803
Workmen's Compensation Fund	-	-
Non-employees	139 004	124 504
System Adviser	-	152 084
Data Lines	298 141	468 867
Cellular Expenditure	74 203	48 438
Uniform and Protective Clothing	446 743	288 893
Excess Payments	18 489	2 500
Premiums	687 532	621 317
Computer Equipment	761 665	1 232 038
Gifts and Promotional Items	-	26 920

	2023 R	2022 R
Transport Assets	2 003 185	663 687
Motor Vehicle Licence and Registrations	62 081	109 478
Professional Bodies, Membership and Subscription	36 960	52 173
Samples and Specimens	175 175	246 891
Levies Paid - Water Resource Management Charges	80	939
Machinery and Equipment	495 490	428 682
Indigent Relief	1 500 720	1 337 905
Air Transport	23 739	-
	24 494 984	**19 258 843**

33 CASH GENERATED BY OPERATIONS

	2023	2022
Surplus/(deficit) for the year	32 593 260	47 155 831
Adjustment for:-		
Depreciation and amortisation	24 089 667	23 186 585
(Gain) / loss on sale of assets	-	681 599
Debt impairment	51 309 298	64 516 278
Movement in retirement benefit assets and liabilities	983 556	1 168 525
Increase/(decrease) in provision	482 429	884 508
Changes in working capital:		
(Increase)/decrease in inventories	(124 227)	(45 155)
(Increase)/decrease in receivables from exchange trans	(64 693 652)	(62 489 869)
(Increase)/decrease in receivables from non-exchange trans	(17 090 229)	(13 885 201)
Increase/(decrease) in VAT payable	5 255 903	(8 449 363)
Increase/(decrease) in Long-term receivables	(467)	11 974
Increase/(decrease) in Unspent conditional grants and receipts	9 795 969	(9 824 611)
Increase/(decrease) in trade payables	(5 867 046)	5 954 484
Cash generated by / (utilised in) Operations	**36 734 461**	**48 865 585**

34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

	2023	2022
34.1 Unauthorised Expenditure		
Opening balance	38 239 206	10 703 019
Prior year approval (written off by council)	-	-
2022/23 Unauthorised expenditure	45 659 422	27 536 187
Unauthorised expenditure : Capital Budget	**83 898 629**	**38 239 206**
34.2 Fruitless and Wasteful Expenditure		
Opening Balance	449 965	56 569
Prior year approval (write of by Council)	-	-
Fruitless & wasteful expenditure current year	375 300	393 396
	825 265	**449 965**
34.3 Irregular Expenditure		
Opening balances	80 514 674	3 114 584
Prior year approval (written off by council)	-	-
Contravention of the supply chain policy	39 678 204	57 400 090
Prior year adjustment		

	2023 R	2022 R
	100 192 878	60 514 674

Irregular expenditure of R 39 678 204 (2021/22 :R 57 400 090) for the current financial year relates to contravention of paragraph 29 of the Supply Chain Management regulation. This regulation deals with the composition of the Bid Adjudication Committee. As a result of this all tenders awarded in relation to the before mentioned is considered irregular expenditure. Irregular expenditure figure is inclusive of VAT

Irregular expenditure to be reported to National Treasury as prescribed by section 170 of the MFMA

35 Correction of prior period errors

The correction of the errors/changes in accounting policies resulted in adjustments as follows:

	2023 R	2022 R
35,1 Trade payables		
Correction of Sundry creditors		
Adjustment against contracted services on statement of financial performance, raising June 2022 invoice		113 955
Adjustment against sundry creditors on payables from exchange, raising June 2022		(113 955)
Creditors were understated, now corrected		-
35,2 Property, Plant and Equipment		
Correction of WIP additions		
Adjustment affecting the property, plant and equipment on statement of financial position, raising June 2022 WIP invoice		51 276
Adjustment against sundry creditors on payables from exchange, raising June 2022 WIP invoice		(51 276)
WIP additions are increasing		-
35,3 Property, Plant and Equipment		
Correction of WIP additions		
Adjustment affecting the property, plant and equipment on statement of financial position, raising June 2022 WIP invoice		277 457
Adjustment against sundry creditors on payables from exchange, raising June 2022 WIP invoice		(277 457)
WIP additions are increasing		

	2023 R	2022 R
		-
35,4 Property, Plant and Equipment		
Correcting of infrastructure asset additions		
Adjustment against commission on statement of financial performance, raising June 2022 invoice		
Adjustment against infrastructure assets, capitalising completed project in 2021		6 171 693
Adjustment against WIP additions, capitalising completed project in 2021		(6 171 693)
Infrastructure asset additions are increasing, WIP Additions are decreasing		-
35,5 Property, Plant and Equipment		
Depreciation in prior year is understated		
Adjustment against retained earnings 30 June 2021		157 798
Adjustment against depreciation in statement of financial performance		473 393
Adjustment affecting Property, plant and equipment in the statement of financial position		(631 190)
Increase in depreciation and decrease in carrying value		-
35,6 Property, Plant and Equipment		
RUL adjustment		
Adjustment against retained earnings 30 June 2021		(1 128 278)
Adjust affecting Property, plant and equipment in the statement of financial position		1 128 278
Asset is increasing		-
35,7 Receivables from non-exchange transactions		
Correcting Other receivables from non-exchange transactions		
Adjustment against retained earnings 30 June 2021		877 522
Adjust affecting financial position, reducing overstated debtor		(877 522)
Asset is decreasing		-
35,8 Control, Clearing and Interface Accounts		
Advances made to staff		
Adjust affecting financial position, increasing understated non exchange receivables		1 802 055
Adjust affecting financial position, increasing understated exchange creditors		(1 802 055)
Asset is decreasing		-

36 Material losses

	2023 R	2022 R
Distribution losses on electricity (R)	2 536 246	1 570 905
Unmetered losses on water (R)	10 598 365	4 554 012
	13 132 611	6 124 917
Accounted water losses :		
Volume Distributed (kl)	1 671 544	1 533 102
Volume Billed(kl)	(777 878)	(1 195 070)

		2023 R	2022 R
Non-Revenue Water (kl)			
Methodology used		893 666	338 032
Number of household in the Koukamma Local Municipality area without water metres is			
Average number of people per household	3283		
Average consumption per person per day	4,8		
number of days	55L		
Units forgone	365		
Value of units forgone	**316350**	3 751 911	4 261 235
Actual water losses		**6 844 454**	**292 778**

The water loss calculations were based on the readings of the bulk water meters on the main line feeding into the distribution systems from the reservoirs and then the end users meters.

In determining the water loss the following where considered:

The methodology is based on the logical intellect or arithmetic principle that a product metered at initial point of the sealed pipeline will be equal to the amount of product metered at the end of the same pipeline

On that case, the volume of water from reservoir metered on the outlet pipe A distributing to point B, C and D is expected to be equals to the sum of water metered at points B, C and D. The difference is therefore considered a loss as it is not been accounted for.

In the absence of meters at point B, C and D, the total volume of water distributed at point A (Reservoir outlet) is considered water loss as it is not accounted for on the distribution mains.

The value of water is based on the expenditure incurred in relation to the volume of water purified from all systems inclusive of bulk water purchases for the entire financial year.

Such information is used to determine the value of water per specific volume. The determined total amount of water unaccounted for is then converted in to rand value based.

37 Audit fees

	2023	2022
Opening balance	3 256 832	2 469 948
Current year audit fee	4 804 069	4 190 733
Current year Interest	333 869	186 928
Interest	-	
Amount paid	(4 002 450)	(2 401 881)
Write off	-	(1 188 896)
Closing Balance	**4 392 320**	**3 256 832**

The balance unpaid represents the audit fees that could not be paid due to financial constraints endured by the municipality.

PAYE and UIF

	2023	2022
Opening balance	8 172 023	8 172 023
Current year deduction	8 653 067	7 815 907
Amount paid	(16 825 090)	(7 815 907)
Closing Balance	-	**8 172 023**

Pension and medical aid deductions

	2023	2022
Opening balance	12 711 558	12 711 558
Current year deduction	13 161 600	-
Amount paid	(12 306 998)	-
Closing Balance	**13 566 160**	**12 711 558**

38 Total Capital Commitments

	2023 R	2022 R
The Municipality had the following capital commitments at year-end		
Commitments in respect of Capital expenditure:		
- Approved and Contracted for:-		
Infrastructure	8 204 013	29 094 055
Community assets	16 750 523	-
Total Capital Commitments	**24 954 536**	**29 094 056**
This expenditure will be financed from:		
Government grants	24 954 536	29 094 055
	24 954 536	**29 094 055**

39 Leases

Lease Commitments

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

	2023 R	2022 R
Operating leases - Municipality as lessee (expense)		
Minimum lease payments due		
- within one year	41 714	37 922
- in second to fifth year inclusive	151 879	193 593
- later than five years	-	-
	193 593	231 515

The Municipality has leased portion 250 of Krakeelrivier no, 314 to Strydom Vrugteboerdery for R3,500 per annum with an escalation of 10%. The lease is for an indefinite period.

The municipality has entered into a lease agreement with Telkom to rent the ISDN 30 PRA for a period of 5 years at R2857.58 per month.

The municipality has entered into a lease agreement with Telkom to rent the TI-DIS Gold Access Service for a period of 3 years at R16 434.86 per month.

The municipality has entered into a lease agreement with Telkom for the rental of a VPN Supreme solution for a period of 3 years at R43 161.34 per month.

The Municipality entered into a lease agreement with BJ Kemp, for the use of fountainwater and drainage water on Farm Krakeel nr. 114, Joubertina for R4000 pa, with 8% escalation each year.

Operating lease payments represent rentals payable by the municipality for certain of its office equipment.

The following restrictions have been imposed on the municipality in terms of the lease agreements on office equipment:
(i) The equipment shall remain the property of the lessor;
(ii) The lessee shall not sell, sublet, cede, assign or delegate any of it's rights or obligations on the office equipment; and
(iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.

	2023 R	2022 R
Operating leases - Municipality as lessor (income)		
Minimum lease payments due		
- within one year	145 737	145 737
- in second to fifth year inclusive	320 688	395 813
- later than five years	391 113	462 224
	857 537	1 003 774

The municipality has entered into a lease agreement with Ilitha Creche for the use of a municipal building at R5 per month, no escalation for 9years and 11months.

The municipality has entered into a lease agreement with The Heights Tea Estate for the use of a municipal property at R10 per month, no escalation for 9years and 11months.

The Municipality has entered into a lease agreement with Atlas Tower Property Limited (MTN) who is a licensed operator of an electronic communications network. MTN (Pty) Ltd is leasing the Erf 77 in Coldstream. The initial lease period is 9 years and 11 months at R10 260 per month. The lease expires on 28 February 2026

The municipality has entered into a lease agreement with the Stockfarmers Association for the use of municipal land at R300 per month, no escalation for 9years and 11months.

The municipality has entered into a lease agreement with Cell C (Pty) Ltd who is a licensed operator of an electronic communications network. Cell C (Pty) Ltd is leasing a site for the installation of certain infrastructure assets required for the operation of its network. The initial lease period is 9 years and 11 months with two renewal options of 5 years each. There are no contingent rentals and no subleases.

	2023	2022
	R	R

The Municipality has entered into a lease agreement with Vodacom PTY (Pty) Ltd who is a licensed operator of an electronic communications network. Vodacom (Pty) Ltd is leasing a site for the installation of certain Infrastructure assets required for the operation of its network. The initial lease period is 9 years and 11 months with two renewal options of 5 years each. There are no contingent rentals and no subleases.

The Municipality has entered into a lease agreement with Vodacom PTY (Pty) Ltd who is a licensed operator of an electronic communications network. Vodacom (Pty) Ltd entered into a lease agreement in order to install antennae and equipment on the building situated at Joubertina. The lease contract expired in 2005

The Municipality has entered into a lease agreement with Sentech Soc Ltd to hire a portion of certain property situated off R62 in Joubertina and the unimpeded use of the access road for the purpose of site access.
interest rate increase is in line with a published index("increases in line with CPI").

The municipality entered into a lease agreement with the Electoral Commission (IEC) for the rental of a vacant land, at R3000 per month inclusive of VAT with an annual escalation of 5% for a period of 9 years and 11 months
The municipality has entered into a lease agreement with Wild to Mild (Pty)Ltd for the use of a municipal property at R250 per month, no escalation for 5 years.

40 FINANCIAL INSTRUMENTS

Categories of financial instruments

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

	At amortised cost (2023 R)	Total (2022 R)
Financial Assets - 2023		
Receivables from Exchange Transactions	40 423 712	40 423 712
Cash and Cash Equivalents	4 404 840	4 404 840
	44 828 552	**44 828 552**
Financial Liabilities - 2023		
Payables from exchange transactions	31 887 779	31 887 779
	31 887 779	**31 887 779**
Financial Assets - 2022		
Receivables from Exchange Transactions	20 744 802	20 744 802
Cash and Cash Equivalents	2 856 739	2 856 739
	23 601 541	**23 601 541**
Financial Liabilities - 2022		
Payables from exchange transactions	36 988 439	36 988 439
	36 988 439	**36 988 439**

Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the GRAP's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

40.1 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

	2023 R	2022 R

- Market Risk.
- Liquidity Risk; and
- Credit Risk;

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Liquidity Risk

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

The municipality intends to pay creditors within 30 days.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

40.2 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

40.3 Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

40.4 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

40.5 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

	2023	2022
	R	R

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

	2023 R	2022 R

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out below:

Cash and Cash Equivalents
If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:
This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

40.6 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank.
No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of Impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

	2023	2022
	R	R

Credit risk

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an on going customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing.

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

	2023 R	2022 R
Trade and other receivables from exchange transactions		
Other receivables from non-exchange transactions		
Cash and cash equivalents		
VAT receivable		

41 IN-KIND DONATIONS AND ASSISTANCE

The Municipality didn't receive any in kind donations or assistance

42 CONTINGENT LIABILITIES

	2023 R	2022 R
SAMWU obo Julius & Floors		
Employees instituted legal proceedings against the municipality with regards to changes in working conditions		
75% possibility that this matter will be successful. Council will not benefit from any revenue/ refund		
Estimated Legal costs associated with this case		
Tamboer & Others	643 630	643 630
These employees are employed by the municipality and are claiming that benefits which according to them are due and payable, were stopped.	200 000	150 000
Officials matter incorporated in this case, outcome per official will vary. A claim was lodged by the employees on amounts owed to them.		
The municipality lodged a counterclaim of amounts owed by the employees.The final amount is unknown		531 460
Estimated Legal costs associated with this case	Unknown	
Ibhabathane CC	200 000	150 000
Application to review tender No 6/2020. Application scrapped from the roll with costs. No further action expected.		
Estimated Legal costs associated with this case		
Ejectment of Unlawful occupants from Twee Riviere	Unknown	None
Unlawful occupants were ejected from Koukamma property. Resolved	175 758	180 000
Estimated Legal costs associated with this case		
Mandisa Planga vs Kou-Kamma		None
The municipality seeked an order to set aside the reqruitment process in repect of filling the vacant popst of Municipal Manager. The municipality has good prospects of success.		30 000
Estimated Legal costs associated with this case		
Koukamma Municipality vs Vuka Belele security services	None	
Provided opinion about the incident involving the Speaker of the Council and responded to letters of demand received from Vuka Belele security services and Mr Matutu	300 000	
Estimated Legal costs associated with this case		
Koukamma Municipality vs Mr Tana, Mr K Pillay - MAT16918	None	
Illegal occupation of the municipalities property in Twee Reviere	39 543	
Estimated Legal costs associated with this case		
	None	
	22 875	

43 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

	2023 R	2022 R

43.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with the municipality, which is limited to their employment:

Name of Related Person

Members of key management	
Acting Municipal Manager	S Tini
Chief Financial Officer	N Venter
Manager: Community and Technical Services	M Qalaba
Manager: Corporate Services	L Somtseu
Mayor	
Speaker	Cllr. Yake F.J.
Other Councillors	Cllr. Maasdorp D.
	Cllr. Smith K.
	Cllr. Krige J.
	Cllr. Fillis R.C
	Cllr. Campher R.G.
	Cllr. Persent V.X.E.
	Cllr. Ncethezo S.D. (Deceased 3 April 2023)
	Cllr. May C. (Appointed 19 June 2023)
	Cllr. Sikiwe N.
	Cllr. Jantjies B.T
	Cllr. Ferguson S.
	Cllr. Strydom F
	Cllr. Sikiwe N.

44 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

45.1 Non-Compliance with the Municipal Finance Management Act

Instance of non-compliance with the MFMA relate to Irregular, Fruitless and Wasteful Expenditure.

45.2 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 39 of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Deviations 2022/23

CLASSIFICATION OF DEVIATIONS IN TERMS OF SECTION 36 OF THE SCM REGULATIONS	NUMBER OF INCIDENTS	AMOUNTS
Emergency	40	698 022

			2023 R	2022 R
Impractical to follow official procurement process	16	168 751		
If such goods or services are produced or available from a single provider only	281	5 590 693		

46 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

There are a number of other events and conditions that individually or collectively may cast significant doubt on the going concern assumption and place the municipality's financial sustainability under threat. These indicators include amongst others:

Certain suppliers only provide services on the cash basis now due to problems receiving payments in the past.

The low debtors collection rate

Due to Economic impact affects the ability of consumers to pay their municipal accounts

Due to cash flow challenges the municipality is unable to pay creditor within 30 days.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis as it is off the opinion that with the current belt-tightening processes and revenue collection programme, 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. In addtion to this, their is no indication that there is political will to amalgamate or discontinue operations of the municipality.

Considering the current inflation, the municipality has adopted the following mitigating strategies:
• Monitor the cash flow daily and limit spending to the actual cash inflow, irrespective of budget.
• Reduce the capital investment programme annually, for the next three financial years, to the level of capital investment funded by capital grants only.
• Avoid giving rate payers and customers relief measures that will significantly reduce the cash inflow to the municipality. Where relief is granted, it should be in the form of delayed payments granted and no debt forgiveness should be considered.
• Be cognisant of the highly sensitive impact collection rate has on liquidity of the municipality and prioritise decisions and actions that will support and strengthen the collection rate, without a loss of income or undue increases in expenditure.
Based on the long-term liquidity forecasts and projections, management believe that there is a reasonable basis to conclude that the municipality will be able to continue with its service delivery operations and to meet its financial commitments in the medium and long term.
The municipality also obtains significant amounts of government grants annually to finance operating and capital expenditure.

Accordingly, it is appropriate for the municipality to adopt the going concern basis.

SEGMENT INFORMATION

General information

Identification of segments

The municipality is organised and reports to management on the basis of 4 major functional areas : Community and public safety, Economic and environmental services, Municipal governance and administration and Trading services. The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The municipality operates throughout the Eastern Cape Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Eastern Cape were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	
Community and Public Safety	Service or activity that is performed by the municipality for the benefit of the public or its institutions.
Economic and Environmental Services	Helps the municipality to make better decisions by identifying resources, understanding the needs of the public and formulate plans to promote local economic development
Municipal Governance and Administration	Management, cohesive policies, guidance, processes and decision-rights
Trading Services	Providing a service to customers at a tariff determined to "recover cost".

	Community and public safety	Economic and environmental services	Trading services	Governance and administration	Other	Total
REVENUE						
Revenue from Non-exchange Transactions						
Property Rates	-	-	-	25 570 430	0	25 570 430
Fines	30 460 950	-	-	-	(0)	30 460 950
Income for Agency Services			-		1 744 383	1 744 383
Government Grants and Subsidies Received				-	107 862 489	107 862 489
Interest Earned - Outstanding Debtors	-		-		4 518 283	4 518 283
Other Revenue					-	0
Revenue from Exchange Transactions					-	0
Service Charges					-	0
Rental of Facilities and Equipment	-	-	32 881 256	-	-	0
Interest Earned - External Investments	-	-	-	232 514	0	32 861 256
Interest Earned - Outstanding Debtors	-	-	-	424 224	0	232 514
Other Revenue	-	-	7 176 138		0	424 224
Gain on disposal of Property, Plant and Equipment	100 117	-	-	1 332 048	229 773	14 171 716
						1 661 938
						0
Total Segment Revenue	**30 561 067**	-	**40 037 394**	**27 559 216**	**114 354 929**	**219 508 184**
EXPENDITURE						
Employee Related Costs	11 545 249		17 263 567	25 241 384	8 035 637	62 085 837
Remuneration of Councillors	-	-		4 777 039	0	4 777 039
Depreciation and Amortisation	2 557 746	-	10 683 956	615 576	10 232 389	24 089 667
Bad debts	22 892 674		-	3 413 098	25 003 526	51 309 298
Finance Costs			-	562 645		562 645
Bulk Purchases			5 433 305			5 433 305
Contracted Services	1 444 568		1 250 700	5 262 782	541 548	8 499 598
General Expenses	635 326	-	4 714 226	309 377	3 621	5 662 552
Impairment losses	987 001	-	9 934 264	13 361 671	212 048	24 494 984
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	0
Loss on fair value adjustment	-	-	-	-	-	0
Total Segment Expenditure	**40 082 566**	-	**49 280 018**	**53 543 572**	**44 028 768**	**186 914 924**
SURPLUS/ (DEFICIT) FOR THE YEAR	**(9 501 499)**	-	**(9 242 624)**	**(25 984 356)**	**70 326 160**	**32 593 260**

The municipality does not disclose segment assets and liabilities as they are not regularly reported on and reviewed by management.

Information about geographical areas

The municipality's operations are in the Eastern Cape Province.

The reason for non disclosure of geographical areas is because it is considered to be irrelevant for decision making purposes. The municipality's geographical areas of operation are considered as a single geographical area for decision making purposes.