Greater Kokstad Local Municipality
Annual Financial Statements
for the year ended 30 June 2022

General Information

LEGAL FORM OF ENTITY	Local Municipality	
MEMBERS OF THE COUNCIL	Cllr B M Mtolo	**Mayor**
	Cllr M N L Madikizela	**Speaker**
	Cllr K J Walker	**Deputy Mayor**
	Cllr R RAMATLAPENG	**Member of Executive Committee**
	Cllr P Nocanda	Member
	Cllr B NOZAZA	Member
	Cllr K NORSWORTHY	Member
	Cllr S NJISANE	Member
	Cllr N Mfukuli	Member
	Cllr M MJOLI	Member
	Cllr JIKAZI A	Member
	Cllr Z R Tshazi	Member
	Cllr N MDA	Member
	Cllr K Putuma	Member
	Cllr S SILWANE	Member
	Cllr B GUGWANA	Member
	Cllr M HLAKANYANA	Member
	Cllr Z Tshangase	Member
	Cllr M NKITA	Member
	Cllr S MBABALA	Member
GRADING OF LOCAL AUTHORITY	Grade 3	
MUNICIPAL MANAGER	Mr S R Zwane	
CHIEF FINANCE OFFICER (CFO)	Mr S.C Khoza	
REGISTERED OFFICE	75 Hope Street Kokstad 4700	
POSTAL ADDRESS	P O Box 8 Kokstad 4700	
BANKERS	First National Bank	
PHONE NUMBER	039 797 6601	
E-MAIL ADDRESS	imelda.adkins@kokstad.gov.za	
AUDITORS	Auditor General South Africa (AGSA)	

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

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

Accounting Officer's Responsibilities and Approval

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

I am responsible for the preparation of these annual financial statements, which are set out on page 4, in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

I certify that the salaries, benefits and allowances as disclosed in note 29 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Officers Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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

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

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

The annual financial statements set out on pages 4 to 70, are prepared on the basis that the municipality is a going concern and has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Accounting Officer
Mr S R Zwane

Statement of Financial Position as at 30 June 2022

	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	3	677,330	1,117,098
Receivables from non-exchange transactions	4&4.1	37,901,986	37,734,308
Prepayments	5	1,708,370	1,683,233
Receivables from exchange transactions	6	31,444,806	30,943,653
Cash and cash equivalents	7	71,006,591	60,945,932
		142,739,083	**132,424,224**
Non-Current Assets			
Investment property	8	105,352,657	102,284,133
Property, plant and equipment	9	745,952,721	690,830,603
Intangible Assets	10	1,333,745	1,615,332
Heritage assets	11	2,066,400	2,066,400
		854,705,523	**796,796,468**
Total Assets		**997,444,606**	**929,220,692**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	44,559,377	60,507,790
VAT payable	13	8,302,734	3,042,584
Consumer deposits	14	4,429,702	4,503,511
Employee benefit obligation	15	1,737,000	1,260,320
Unspent conditional grants and receipts	16	7,472,128	10,202,845
Provisions	17	1,761,153	2,082,395
Deferred income	18	3,352,522	2,687,706
Bank overdraft	7	-	10,371,289
		71,614,616	**94,658,440**
Non-Current Liabilities			
Employee benefit obligation	15	29,622,999	28,535,684
Provisions	17	15,273,578	16,433,545
		44,896,577	**44,969,229**
Total Liabilities		**116,511,193**	**139,627,669**
Net Assets		**880,933,413**	**789,593,023**
Accumulated surplus		880,933,417	789,593,023

* See Note 51

Statement of Financial Performance

	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	195,881,270	153,291,394
Rental of facilities and equipment	20	4,449,404	1,893,386
Licences and permits	21	5,307,608	4,557,646
Other income	22	702,263	666,573
Interest earned - external investments	23	3,611,356	3,947,824
Total revenue from exchange transactions		**209,951,901**	**164,356,823**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	129,591,304	122,492,352
Interest earned - outstanding receivables	24	6,191,098	5,235,431
Transfer revenue			
Government grants and subsidies	25	168,710,369	131,142,941
Donation	9	775,168	-
Fines, Penalties and Forfeits	26	1,543,920	2,373,175
Total revenue from non-exchange transactions		**306,811,859**	**261,243,899**
Total revenue		**516,763,760**	**425,600,722**
Expenditure			
Employee costs	27	(147,508,231)	(145,553,524)
Remuneration of councillors	28	(7,606,954)	(7,600,959)
Repairs and maintenance	29	(4,693,154)	(8,058,260)
Depreciation and amortisation	30	(43,811,783)	(29,128,842)
Provision expense Landfillsite	17	-	(4,220,928)
Finance costs	17	(1,231,706)	-
Debt written off	31	(17,889,881)	(4,159,622)
Bulk purchases	32	(117,540,518)	(109,282,374)
Provision of impairment of debtors expense	6	(351,412)	(5,609,985)
Contracted services	33	(28,422,055)	(36,989,601)
General expenses	34	(60,365,290)	(54,432,085)
Total expenditure		**(429,420,984)**	**(405,036,180)**
Operating surplus		**87,342,776**	**20,564,542**
Gain on landfill site	17	2,391,673	-
Gain / (loss) on actuarial	15	1,894,000	(2,475,000)
Fair value adjustments	8	3,068,524	2,250,751
Loss on Disposal of Assets	9	(9,603,734)	-
Recovery for provision debtors	6	4,164,762	-
Provision for performance recovery of bonuses	17	2,082,395	1,808,382
		3,997,620	**1,584,133**
Surplus for the year		**91,340,396**	**22,148,675**

* See Note 51

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Balance at 01 July 2019 Restated	**767,444,350**	**767,444,350**
Changes in net assets		
Surplus for the year	22,148,675	22,148,675
Total changes	22,148,675	22,148,675
Restated* Balance at 01 July 2021	**789,593,021**	**789,593,021**
Changes in net assets		
Surplus for the year	91,340,396	91,340,396
Total changes	91,340,396	91,340,396
Balance at 30 June 2022	**880,933,417**	**880,933,417**

Note(s)

* See Note 51

Cash Flow Statement

	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Taxation		98,824,326	170,487,730
Sale of goods and services		205,059,318	160,150,423
Grants		165,979,652	131,142,941
Interest income		3,611,356	3,947,824
Other receipts		13,506,175	2,373,176
		486,980,827	468,102,094
Payments			
Employee costs		(151,573,891)	(143,997,777)
Suppliers		(216,633,690)	(270,257,624)
Finance costs		(1,231,706)	-
		(369,439,287)	(414,255,401)
Net cash flows from operating activities	35	**117,541,540**	**53,846,693**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(107,480,881)	(120,220,971)
Purchase of other intangible assets	10	-	(388,000)
Net cash flows from investing activities		**(107,480,881)**	**(120,608,971)**
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**10,060,659**	**(66,762,278)**
Cash and cash equivalents at the beginning of the year		60,945,932	117,336,921
Cash and cash equivalents at the end of the year	7	**71,006,591**	**50,574,643**

The accounting policies on pages 10 to 29 and the notes on pages 30 to 69 form an integral part of the annual financial statements.

* See Note 51

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	162,373,594	10,540,000	**172,913,594**	195,881,270	**22,967,676**	47
Rental of facilities and equipment	1,845,738	1,120,000	**2,965,738**	4,449,404	**1,483,666**	
Licences and permits	2,113,292	2,000,000	**4,113,292**	5,307,608	**1,194,316**	47
Other income	5,644,583	222,000	**5,866,583**	702,263	**(5,164,320)**	47
Investment revenue	4,200,000	-	**4,200,000**	3,611,356	**(588,644)**	47
Total revenue from exchange transactions	**176,177,207**	**13,882,000**	**190,059,207**	**209,951,901**	**19,892,694**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	127,187,505	-	**127,187,505**	129,591,304	**2,403,799**	47
Interest earned - outstanding receivables	4,500,000	-	**4,500,000**	6,191,098	**1,691,098**	47
Transfer revenue						
Transfer recognised - Operational & Capital	154,376,000	22,407,000	**176,783,000**	168,710,369	**(8,072,631)**	47
Rates Impairment Recovery	-	-	**-**	775,168	**775,168**	47
Fines, Penalties and Forfeits	268,930	-	**268,930**	1,543,920	**1,274,990**	47
Total revenue from non-exchange transactions	**286,332,435**	**22,407,000**	**308,739,435**	**306,811,859**	**(1,927,576)**	
Total revenue	**462,509,642**	**36,289,000**	**498,798,642**	**516,763,760**	**17,965,118**	
Expenditure						
Employee costs	(141,580,651)	(2,849,000)	**(144,429,651)**	(147,508,231)	**(3,078,580)**	47
Remuneration of councillors	(9,385,768)	1,765,000	**(7,620,768)**	(7,606,954)	**13,814**	47
Depreciation and asset impairment	(37,651,178)	-	**(37,651,178)**	(43,811,783)	**(6,160,605)**	47
Finance charges	-	-	**-**	(1,231,706)	**(1,231,706)**	
Debt impairment	(9,000,000)	(5,000,000)	**(14,000,000)**	(17,889,881)	**(3,889,881)**	47
Material & bulk purchases	(134,757,719)	(7,025,000)	**(141,782,719)**	(117,540,518)	**24,242,201**	47
Provision of impairment of debtors	-	-	**-**	(351,412)	**(351,412)**	47
Contracted services	(44,104,501)	(7,338,000)	**(51,442,501)**	(33,115,209)	**18,327,292**	47
General expenses	(32,515,398)	(5,552,000)	**(38,067,398)**	(60,365,290)	**(22,297,892)**	47
Total expenditure	**(408,995,215)**	**(25,999,000)**	**(434,994,215)**	**(429,420,984)**	**5,573,231**	
Surplus/(Deficit)	**53,514,427**	**10,290,000**	**63,804,427**	**87,342,776**	**23,538,349**	
Gain on landfill site	-	-	**-**	2,391,673	**2,391,673**	
Gain / (loss) on actuarial	-	-	**-**	1,894,000	**1,894,000**	
Fair value adjustments	-	-	**-**	3,068,524	**3,068,524**	
Loss on Disposal of Assets	-	-	**-**	(9,603,734)	**(9,603,734)**	
Recovery for provision debtors	-	-	**-**	4,164,762	**4,164,762**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Provision for performance recovery of bonuses	-	-	-	2,082,395	**2,082,395**	
	-	**-**	**-**	**3,997,620**	**3,997,620**	
Surplus	**53,514,427**	**10,290,000**	**63,804,427**	**91,340,396**	**27,535,969**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**53,514,427**	**10,290,000**	**63,804,427**	**91,340,396**	**27,535,969**	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Critical judgements, estimates and assumptions

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Accounting Policies

1.3 Critical judgements, estimates and assumptions (continued)

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Useful life assessment of PPE and intangible assets

The municipality's management determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and other assets. This estimate involves a matter of industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated useful lives and decrease the depreciation and armotisation charges where useful lives are more than previously estimated useful lives.

Allowance for doubtful debts

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

Pension and other post – employment benefits

The cost of defined-benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Cash-generating assets

The Municipality is not a profit-oriented entity as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of the tariff.
As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets, and that the
GRAP standard for the impairment of non-cash-generating assets will apply to all assets of the Municipality.

Impairment of receivables

The calculation in respect of the impairment of receivables 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. The Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

Impairment of property, plant and equipment

The calculation in respect of the impairment of property, plant and equipment is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment.

Residual value of property, plant and equipment

Management has determined that none of its infrastructure assets have an active market value, and the value of the amount at the end of their useful lives would therefore be insignificant.

Useful lives of property, plant and equipment and investment property held at cost

The useful lives of assets are based on management’s estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate. The estimated residual values of assets are also based on management judgements on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

Significant delays in assets under construction

Accounting Policies

1.3 Critical judgements, estimates and assumptions (continued)

The Municipality regards delays in assets under construction of more than three years as significant. Further disclosures are made in notes 2 to 5 in the financial statements.

Provisions, contingent liabilities and contingent assets

Management’s judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities and assets.Provisions are discounted, where the effect of discounting is material, using cost of capital.

Traffic Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources to the Municipality.

Budget information

A difference of 5% or more between budget and actual amounts is regarded as material. All material differences are explained in the notes of the annual financial statements.

Material losses

Material losses are losses that occur due to factors other than normal production and utilisation, and are regarded as material if their omission or misstatement will affect the decisions made by users of the information. The losses disclosed include that of technical losses and non-technical losses related to electricity.
Losses that occur due to normal production and utilisation are classified as production costs and factored into the Municipality's tariffs. They, therefore,do not constitute material losses. If actual production and utilsation losses exceed the normal budgeted production and utilisation losses factored into the tariff, this difference is considered material losses.

Service charges

Service charges relating to electricity, are based on consumptuion.Skip bin waste removal is based on the number of times it is collected. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Waste removal services are billed on a monthly basis.

Services provided on a prepaid basis

Various services are provided on a prepaid basis in which case no formal billing takes place and revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets is the current bid price.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

1.4 Investment property (continued)

At initial recognition, the municipality measures investment property at cost including transaction cost once it meets the definition of investment property. Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

The cost of self-constructed investment property is the cost at date of completion.

Subsequent measurement - Fair value model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

Derecognition

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

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

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

All transfers will be as per GRAP 16.

1.5 Property, plant and equipment

Initial recognition

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

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

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

Initial measurement

Items of property plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost 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 in which it is located.

Where an asset 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 that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

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.

1.5 Property, plant and equipment (continued)

Subsequent measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have useful lives that are depreciated separately.

Land is not depreciated as it is deemed to have indefinite useful life.

Capital work in progress is not depreciable until it is transferred to the applicable property, plant and equipment category once it is ready and available for its intended use.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimates in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset maybe impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount) and an impairment amount is charged to the Statement of Financial Performance.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	80 years
Motor vehicles	Straight line	5-7 years
Infrastructure	Straight line	
• Roads and pavings		12 years
• Bridges		30 years
• Storm water		15 years
• Gravel		20 years
• Substation and Transformers		30 years
• Poles, Cables and Lights		15-25 years
• Robots		10 years
Community	Straight line	
• Buildings		80 years
• Recreational facilities		5 years
• Security system		5 years
• Dams		1-15 years
• Libraries		15-20 years
• Parks and Gardens		15 years
• Cemeteries		15-20 years
• Community centres		5-20 years
• Sports fercilities		30 years
Other property, plant and equipment	Straight line	
• Emergency equipment		5 years
• Landfill sites		15 years
• Office equipment		5 years
• Furniture and fittings		5 years
• Bins and containers		5 years
• Computers equipment		5-8 years

Accounting Policies

1.6 Heritage assets

Initial Recognition

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. A heritage asset shall be recognised as an asset if, and only if:
(a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
(b) the cost or fair value of the asset can be measured reliably.

Initial Measurement

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

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

Subsequent Measurement

Heritage assets are not depreciated based on their nature however the municipality assesses at each reporting date whether there is a need for impairment.

The class of heritage assets are carried at its cost less any accumulated impairment losses.

Derecognition

The carrying amount of a heritage asset is derecognised:
(a) on disposal, or
(b) when no future economic benefits or service potential are expected from its use or disposal.

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

1.7 Intangible Assets

Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. 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.
Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.
Research/feasibility expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential;
- the municipality has the ability to measure reliably the expenditure during development."

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Initial measurement

Intangible assets are initially recognised at cost.
Where an intangible asset 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 that asset on the date acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement

1.7 Intangible Assets (continued)

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Residual value of intangible assets is estimated to be zero. Fully depreciated assets which are still in use are not written off.

Amortisation

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:
Computer software 3 - 8 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.
The municipality test intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the 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 sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8 Financial instruments

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

Classification

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

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

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

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Deffered Income	Financial liability measured at amortised cost
Unspent conditional grant	Financial liability measured at amortised cost
Employee benefit obligation	Financial liability measured at amortised cost

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Accounting Policies

1.8 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

1.9 Trade and other receivables

Consumer Debtors per impairment category

Category A

- Regular payers and Government Accounts - 0%
- Consumers with accounts not older than 60 days, and;
- Government.

Category B

- Regular payers (50% less than 180 days and 100% on rest); and
- Amounts owing but do pay.

Category C

- Doubtful 100% all amounts;
- Consumers with no payment history;
- Owing longer than 60 days with no payments for 6 months; and
- Inactive accounts.

The municipality individually asseses the debtors.

1.10 Leases

The Municipality as lessee

1.10 Leases (continued)

Recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payment due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payment, the municipality uses the interest rate that exactly discounts the lease payments and unguarenteed residual value to the fair value of the asset plus any direct costs incurred.

Measurement

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies application 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 repayments using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies related to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful lives or the lease term.

Derecognition

The finance lease liabilities are derecognised when the entity’s obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity’s obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

Operating leases - lessee

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

The Municipality as Lessor

For those leases that meet the definition of a finance lease, where the entity is the lessor, the entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the entity recognises a finance lease receivable. Finance lease income is allocated between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Measurement

Finance lease receivables are recognised at an amount equal to the entity’s net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Accounting Policies

1.10 Leases (continued)

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

Derecognition

Finance lease receivables are derecognised when the entity’s right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity’s obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity’s right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

1.11 Inventories

Initial recogition and measurement

Inventories comprise current assets not held for sale, 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 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.

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

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

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

The basis of determining the cost of an inventory is (FIFO) First In First Out.

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

1.12 Impairment of cash-generating assets (continued)

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

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows: as the municipality is a district municipality, it does not hold assets which are specifically used to generate revenue (e.g. infrastructure relating to utilities), other than the farm used to hold biological assets. Other revenue generated by the municipality is in exchange for services provided, for which the related assets (furniture, office equipment, etc.) are interchangeable with the assets used for non-cash generating activities

Identification

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

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

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: as the municipality is a district municipality, it does not hold assets which are specifically used to generate revenue (e.g. infrastructure relating to utilities), other than the farm used to hold biological assets. Revenue generated by the municipality is in exchange for services provided, for which the related assets (furniture, office equipment, etc.) are interchangeable with the assets used for non-cash generating activities; all such interchangeable assets are deemed to be non-cash generating assets.

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

Identification

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Post-employment benefits

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

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Medical Aid

Accounting Policies

1.14 Employee benefits (continued)

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actual valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the value projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised acturial gains and losses and unrecognised past service cost, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.15 Provisions

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

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

1.15 Provisions (continued)

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

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

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

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

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

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

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

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

1.16 Revenue from exchange transactions (continued)

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

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

Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. 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.

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

Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made in the last month of the financial year is recognised based on an estimate of the prepaid electricity consumed as at the reporting date with reference to the consumption patterns of the individual users.

Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement where material, where such lease periods span over more than one financial year.

1.17 Revenue from non-exchange transactions

Recognition

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

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

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with 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.

Measurement

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

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

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Deferred Income

Amounts received before the related work is performed are included in the statement of financial position as a liability, Deferred Income

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.

Fines

Fines constitute both spot fines and summonses.

Revenue from traffic fines is initially measured on the value stipulated on the notice, summons or equivalent document. The revenue from traffic fines is subject to further judicial process which is outside the municipality's control. These reductions are not considered in measuring the revenue and receivable on initial recognition. This is because of the high degree of uncertainty in estimating the likely outcome of this process. Once this separated process has been concluded, any reductions are accounted for as a change in estimated revenue and in accordance with iGRAP1.

Public contributions

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

Tariff Charges

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

1.18 Value Added Taxation

The Municipality accounts for Value Added Tax on the accrual basis. .

The municipality is registered with the South African Revenue Services (SARS) for VAT on the invoice basis, in accordance with Section 15(1) of the VAT Act No.89 of 1991.

1.19 Comparative figures

No comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

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

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

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

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

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

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

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

1.23 Commitments

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

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 contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.24 Budget information

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

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

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

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

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

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

1.25 Related parties

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

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

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

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

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

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

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

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

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

1.26 Events after reporting date

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

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

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

1.27 Segment information

A segment is an activity of an entity

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

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

Measurement.

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

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

1.28 Statutory receivables

Statutory receivables are receivables that:

(a) arise from legislation, supporting regulations, or similar means; and
(b) require settlement by another entity in cash or another financial asset.

Recognition

An entity shall recognise statutory receivables as follows:

(a) if the transaction is an exchange transaction, using GRAP 9;
(b) if the transaction is a non-exchange transaction, using GRAP 23; or
(c) if the transaction is not within the scope of the Standards of GRAP listed in (a) or (b) 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.

An entity shall derecognise a statutory receivable, or a part thereof, when:

(a) the rights to the cash flows from the receivable are settled, expire or are waived;
(b) the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
(c) 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 shall:
(d) derecognise the receivable; and
(e) recognise separately any rights and obligations created or retained in the transfer

Initial measurement

The muncipality initially measures statutory receivables at their transaction amount.

Subsequent Measurement

Accounting Policies

1.28 Statutory receivables (continued)

The municipality measures statutory receivables after initial recognition using the cost model. Under the cost method the initial measurement of the receivables is changed subsequent to initial recognition to reflect any :
(1)Interest or other charges that may accrued on receivables (where applicable)
(2)Impairement losses and
(3)Amount derecognised.

	2022	2021

2. New standards and interpretations

GRAP 104 Financial Instrument

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board amended its existing Standards to deal with these issues. The ASB issued Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to Financial Instruments: Presentation and the IFRS Standard on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities

The most significant changes to the Standard affect

Financial guarantee contracts issued
Loan commitments issued
Classification of financial assets
Amortised cost of financial assets
Impairment of financial assets
Disclosures

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

GRAP 25 Employee Benefits

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

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

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

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

Key Amendment of GRAP 25

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

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

3. Inventories

	2022	2021
Stores and materials	677,330	1,117,098

Notes to the Annual Financial Statements

	2022	2021

4. Receivables from non-exchange transactions

Sundry debtors	5,820,247	5,711,306

4.1 Statutory Receivables

Consumer debtors - rates	15,610,784	16,581,400
Fines	16,470,955	15,441,616
	32,081,739	**32,023,016**

Fines Reconciliation

Opening balance fines	22,721,675	20,611,930
Opening impairment of fines	(7,280,058)	(6,990,333)
Current year fines	1,380,750	2,109,739
Current year on impairment fines	(351,412)	(289,720)
	16,470,955	**15,441,616**

Receivables from non-exchange transactions-Rates

Gross

Rates	31,286,423	31,359,076
Impairment	(15,675,639)	(14,767,677)
	15,610,784	**16,591,399**

Rates

Current (0 -30 days)	5,333,561	4,286,908
31 - 60 days	2,391,259	1,935,939
61 - 90 days	958,412	1,097,671
91 - 120 days	760,547	811,441
121 - 150 days	657,075	591,661
> 151 days	21,185,569	22,097,257
	31,286,423	**30,820,877**

Notes to the Annual Financial Statements

	2022	2021

5. Prepayments

The year of renewal overlaps to the Municipality's new financial year.The municipality pre-paid for the following licenses :

	2022	2021
Adobe sign	-	51,974
Anti-virus	13,425	42,511
Disaster recovery	-	3,393
Eclaimer cloud	38,248	29,085
Firewall licence	10,167	32,194
Microsoft licences	-	529,980
Papercut MF print - tenable management tool to scan	45,150	65,314
Resillio sync	206,748	113,273
Sage licence	90,020	84,131
Solar winds	344,231	304,009
Cibecs perpetual	153,210	230,562
Lensweeper	43,560	115,556
Munsoft	-	81,250
Time & Attendance	109,995	-
Sophos	412,448	-
Managed engine audit	117,335	-
Turnable	90,936	-
PMS system	18,000	-
Total computer services system	14,898	-
	1,708,371	**1,683,232**

6. Receivables from exchange transactions

	2022	2021
Gross balances		
Electricity	19,329,219	22,668,665
Refuse	17,105,243	20,018,383
Fire and other	8,268,855	6,587,838
	44,703,317	**49,274,886**
Less: Allowance for impairment		
Electricity	(9,603,036)	(2,962,476)
Refuse	(1,459,549)	(11,824,034)
Fire and other	(2,195,924)	(3,544,723)
	(13,258,509)	**(18,331,233)**
Net balance		
Electricity	9,726,181	19,706,189
Refuse	15,645,694	8,194,349
Fire and other	6,072,931	3,043,115
	31,444,806	**30,943,653**
Electricity		
Current (0 -30 days)	12,453,090	13,554,800
31 - 60 days	4,422,371	3,567,920
61 - 90 days	263,597	1,924,886
91 - 120 days	143,197	626,849
121 - 365 days	122,254	209,426
> 365 days	1,924,710	2,784,784
	19,329,219	**22,668,665**

Notes to the Annual Financial Statements

	2022	2021

6. Receivables from exchange transactions (continued)

Refuse

Current (0 -30 days)	1,742,793	1,649,411
31 - 60 days	1,161,231	1,147,939
61 - 90 days	875,674	890,808
91 - 120 days	739,379	800,613
121 - 365 days	641,583	717,921
> 365 days	11,944,583	14,811,691
	17,105,243	**20,018,383**

Fire Levy and other

Current (0 -30 days)	115,333	136,712
31 - 60 days	89,761	113,255
61 - 90 days	77,323	102,733
91 - 120 days	68,102	91,447
121 - 365 days	62,164	83,978
> 365 days	7,856,172	6,059,713
	8,268,855	**6,587,838**

	2022	2021

6. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

	2022	2021
Consumers		
Current (0 -30 days)	2,039,350	3,000,263
31 - 60 days	1,288,905	2,195,063
61 - 90 days	857,169	1,509,404
91 - 120 days	908,101	1,222,590
121 - 365 days	783,862	1,901,335
> 365 days	15,649,439	18,865,417
	21,526,826	**28,694,072**
Industrial/ commercial		
Current (0 -30 days)	11,380,148	7,945,042
31 - 60 days	4,138,708	3,470,179
61 - 90 days	189,946	788,968
91 - 120 days	82,087	486,077
121 - 365 days	47,867	(140,786)
> 365 days	1,087,789	6,266,271
	16,926,545	**18,815,751**
National and provincial government		
Current (0 -30 days)	714,906	634,127
31 - 60 days	394,930	371,352
61 - 90 days	124,774	123,470
91 - 120 days	116,044	78,509
121 - 365 days	106,072	37,405
> 365 days	581,501	2,751,860
	2,038,227	**3,996,723**
Total		
Current (0 -30 days)	14,134,403	14,592,474
31 - 60 days	5,822,543	3,740,482
61 - 90 days	1,171,889	2,473,227
91 - 120 days	1,106,231	1,372,697
121 - 365 days	937,801	821,671
> 365 days	17,318,729	19,630,010
	40,491,596	42,630,561
Less: Allowance for impairment	(13,258,509)	(18,331,233)
Add debtors with credit balances	5,538,600	6,653,316
	32,771,687	**30,952,644**
Less: Allowance for impairment		
Current (0 -30 days)	(803,166)	(983,618)
31 - 60 days	(722,520)	(875,442)
61 - 90 days	(680,990)	(891,602)
91 - 120 days	(533,420)	(869,253)
121 - 365 days	(10,518,414)	(14,711,318)
	(13,258,510)	**(18,331,233)**

	2022	2021

6. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(18,331,233)	(13,010,127)
Contributions to allowance	5,072,724	(5,321,106)
	(13,258,509)	**(18,331,233)**

Fair value of receivables from exchange transactions

The fair value equates to carrying value due to the short term nature.

Consumer debtors past due but not impaired

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

1 month past due	5,299,944	5,032,559
2 months past due	152,067	1,715,740
3 months past due	84,598	226,836

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	25,295	23,885
Bank balances	8,805,951	-
Short-term deposits	62,175,345	60,922,047
	71,006,591	**60,945,932**

Current assets	71,006,591	60,945,932
Current liabilities	-	(10,371,289)
	71,006,591	**50,574,643**

	2022	2021

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
FNB 527 2002 4258	8,939,036	4,342,248	9,037,470	(10,371,289)
FNB 620 4994 7825	165,944	162,328	165,944	162,328
FNB 622 9521 8947	1,129	1,000	1,129	1,000
FNB 620 6810 2682	24,176	24,115	24,176	24,115
FNB 620 8937 2868	27,897	6,460	27,897	6,460
FNB 620 8992 7663	257,845	252,271	257,845	252,271
FNB 621 9170 1476	1,661	1,000	1,661	1,000
FNB 621 0368 9230	990,614	988,370	990,614	988,370
FNB 621 9024 8221	3,101,263	2,962,334	3,101,263	2,962,334
STD BANK 305 644 805 001	113,273	109,295	113,273	109,295
NED BANK 0371 6501 3687	92,559	89,216	92,559	89,216
FNB 623 0064 1611	2,237	2,237	2,237	2,237
NED 0371 6501 3660	8,149	28,807	8,149	28,807
NED 0371 6501 4276	123,125	118,679	123,125	118,679
ABSA BANK 20-8012-4654	7,592,205	7,204,189	7,592,205	7,204,189
NED BANK 50110597/9997 - 037165022295	15,875,111	15,301,853	15,875,111	15,301,853
DOE 63875 1558 80001	6,939,907	1,467,126	1,000	1,467,126
NED BANK 371 6502 1256	7,374,223	7,107,937	7,374,223	7,107,937
STD BANK 638 516 196-16	17,126,472	16,218,620	17,126,472	16,218,623
STD BANK 638 515 196-15	7,928,606	7,539,057	7,928,606	7,539,057
FNB 628 6690 0337	1,368,005	1,337,149	1,368,005	1,337,149
Total	**78,053,437**	**65,264,291**	**71,212,964**	**50,550,757**

The following Financial assets was held as collateral R60 000.

Notes to the Annual Financial Statements

	2022	2021

8. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land & Buildings	105,352,657	-	105,352,657	102,284,133	-	102,284,133

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Land & Buildings	102,284,133	3,068,524	105,352,657

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Fair value adjustments	Total
Land & Buildings	100,033,382	3,382,772	2,250,751	102,284,133

Pledged as security

No assets pledged as security

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.

Details of valuation

The effective date of the revaluations was 1 July 2017. Revaluations were performed by an independent valuer, Mr Boateng [SACPVP, IAAO &GIS], of Khanyisa Property valuations.Mr Boateng is not connected to the entity and has recent experience in location and category of the investment property being valued. The valuation was based on open market value for existing use

For investment property, where there was a lack of comparable market data, the valuation was based on discounted cash flows. The following assumptions were used :

Rental revenue and interest rate increases and prevailing interest rates , Discount rate used is 2.25%.

These assumptions are based on current market conditions.

The last valuation came into effect on 1 July 2017. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations. Valuations are performed every 5 years.

Amounts recognised in surplus and deficit for the year.

	2022	2021
Rental revenue from investment property	4,250,144	1,876,336
Direct operating expenses from rental generating property	1,638,641	640,984

Notes to the Annual Financial Statements

	2022	2021

9. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	124,893,488	(93,909,984)	30,983,504	124,893,488	(92,892,311)	32,001,177
Motor vehicles	19,274,109	(14,814,054)	4,460,055	18,953,823	(11,891,997)	7,061,826
Infrastructure	728,086,930	(394,614,078)	333,472,852	702,802,713	(384,973,955)	317,828,758
Community	256,560,136	(113,079,632)	143,480,504	248,732,050	(108,330,397)	140,401,653
Other property, plant and equipment	51,666,073	(37,853,155)	13,812,918	50,761,753	(28,937,918)	21,823,835
Capital work in progress infrastructure	119,071,865	-	119,071,865	75,771,983	-	75,771,983
Capital work in progress community	100,671,023	-	100,671,023	95,941,371	-	95,941,371
Total	**1,400,223,624**	**(654,270,903)**	**745,952,721**	**1,317,857,181**	**(627,026,578)**	**690,830,603**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Transfers received	Donation	Other changes, movements	Depreciation	Total
Land and Buildings	32,001,177	-	-	-	-	(1,017,673)	30,983,504
Motor vehicles	7,061,826	320,285	-	-	-	(2,922,056)	4,460,055
Infrastructure	317,828,758	-	51,173,823	-	(9,603,724)	(25,926,005)	333,472,852
Community	140,401,653	-	7,828,087	-	-	(4,749,236)	143,480,504
Other property, plant and equipment	21,823,835	129,152	-	775,168	-	(8,915,237)	13,812,918
Capital work in progress infrastructure	75,771,983	94,473,705	(51,173,823)	-	-	-	119,071,865
Capital work in progress community	95,941,371	12,557,739	(7,828,087)	-	-	-	100,671,023
	690,830,603	**107,480,881**	**-**	**775,168**	**(9,603,724)**	**(43,530,207)**	**745,952,721**

Reconciliation of property, plant and equipment - 2021 Restated

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
Land and Buildings	33,155,394	-	-	-	(1,154,217)	32,001,177
Motor vehicles	7,309,784	611,563	-	1,526,887	(2,386,408)	7,061,826
Infrastructure	294,284,942	-	48,750,373	-	(25,206,557)	317,828,758
Community	97,954,227	-	46,271,811	-	(3,824,385)	140,401,653
Other property, plant and equipment	13,593,660	4,505,871	-	8,785,341	(5,061,037)	21,823,835
Capital work in progess infrastructure	68,532,237	55,990,119	(48,750,373)	-	-	75,771,983
Capital work in progess community	83,099,763	59,113,419	(46,271,811)	-	-	95,941,371
	597,930,007	**120,220,972**	**-**	**10,312,228**	**(37,632,604)**	**690,830,603**

Pledged as security

Assets were not pledged as security.

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

Notes to the Annual Financial Statements

	2022	2021

9. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	7,254,878	8,033,521
General expenses	12,664,266	13,060,714
	19,919,144	**21,094,235**

Carrying value of PPE, that is taking significantly longer period to complete than expected

10. Intangible Assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3,495,781	(2,162,036)	1,333,745	4,703,527	(3,088,195)	1,615,332

Reconciliation of intangible assets - 2022

	Opening balance	Other changes, movements	Amortisation	Total
Computer software	1,615,332	(10)	(281,577)	1,333,745

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	1,508,909	388,000	(281,577)	1,615,332

Pledged as security

None of intangible assets pledged as security.

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

Notes to the Annual Financial Statements

	2022	2021

11. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Statue	954,000	-	954,000	954,000	-	954,000
Museum	1,112,400	-	1,112,400	1,112,400	-	1,112,400
Total	**2,066,400**	**-**	**2,066,400**	**2,066,400**	**-**	**2,066,400**

Reconciliation of heritage assets 2022

	Opening balance	Total
Statue	954,000	954,000
Museum	1,112,400	1,112,400
	2,066,400	**2,066,400**

Reconciliation of heritage assets 2021

	Opening balance	Total
Statue	954,000	954,000
Museum	1,112,400	1,112,400
	2,066,400	**2,066,400**

No impairment loss that is recognised during the current financial year.

12. Payables from exchange transactions

Trade payables	2,975,825	8,554,279
Unallocated deposits	15,154,130	16,490,354
Accrued leave pay	9,498,184	9,441,150
Other payables	23,146	23,146
Debtors with credit balances non- exhange and exchange services	6,560,538	7,141,726
Retentions	5,040,573	6,605,992
Creditor accruals	5,306,981	12,251,143
	44,559,377	**60,507,790**

13. VAT payable

Vat payable	8,302,734	3,042,584

14. Consumer deposits

Electricity	4,429,702	4,503,511

15. Retirement benefits and long term service awards

Defined benefit plan

The plan is a post employment medical benefit plan.

Notes to the Annual Financial Statements

	2022	2021

15. Retirement benefits and long term service awards (continued)

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

	2022	2021
Non-current liabilities	29,622,999	28,535,684
Current liabilities	1,737,000	1,260,320
	31,359,999	**29,796,004**

Post employment health care benefits

	2022	2021
Opening balance	(22,324,999)	(19,239,999)
Net actuarial gains pr (losses) recognised	1,726,000	(725,000)
Current service costs	(1,278,000)	(999,000)
Interest cost	(2,264,000)	(2,015,000)
Contributions by employer	576,000	654,000
	(23,564,999)	**(22,324,999)**

Long service awards

	2022	2021
Opening balance	(7,471,005)	(5,399,005)
Net actuarial gains or (losses) recognised	168,000	(1,750,000)
Current service costs	(843,000)	(599,000)
Interest cost	(657,000)	(381,000)
Contributions by employer	1,008,005	658,000
	(7,795,000)	**(7,471,005)**

	2022	2021

15. Retirement benefits and long term service awards (continued)

PeHCL report

Assumptions used at the reporting date:

Post-Employment Medical Aid subsidy liability

Key Financial Assumptions

Table 5.1 summarises the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year. The next contribution rate increase was assumed to occur at 1 January 2023. The next increase to the maximum subsidy was assumed to occur with effect from 1 July 2023..

Table 5.1: Key financial assumptions

Assumption	Value p.a.
Discount rate	11.85%
Health care cost inflation rate	8.46%
Net-of-health-care-cost-inflation discount rate	3.13%
Maximum subsidy inflation rate	5.97%
Net-of-maximum-subsidy-inflation discount rate	5.55%

Key Demographic Assumptions

Table 5.2 summarises the key demographic assumptions used.

Key demographic assumptions

Assumption	Value
Average retirement age	62
Continuation of membership at retirement	75%
Proportion with a spouse dependant at retirement	60%
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy thereafter	25%
Mortality during employment	SA 85-90
Mortality post-employment	PA(90) -1 with a 1% mortalityimprovement p.a. from 2010
Withdrawal from service (sample annual rates)	See Table A4.2

15. Retirement benefits and long term service awards (continued)

Accrued Liability (R millions)

Category	30/06/2021	30/06/2022
In-service members	11.306	12.505
In-service non-members	4.922	5.172
Total in-service	16.228	17.677
Continuation members	6.097	5.888
All members		
Total liability	22.325	22.325
Value of assets	0.000	0.000
Unfunded liability	22.325	23.565
Expected current portion of liability (payable within 12 months)	0.576	0.547
Expected non-current portion of liability (payable thereafter	21.749	23.018

Comparison of assumptions

Assumption	30/06/2021	30/06/2022
Discount rate	10.27%	11.85%
Health care cost inflation rate	6.94%	8.46%
Net-of-health-care-cost-inflation discount rate	3.11%	3.13%
Maximum subsidy inflation rate	4.83%	5.97%
Net-of-maximum-subsidy-inflation discount rate	5.19%	5.55%
Average retirement age	62	62
Mortality during employment	SA 85-90	
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) -1 with a 1% mortality improvement p.a. from 2010
Withdrawal rates	Updated per Table A4.2	
Proportion with a spouse dependant at retirement	60%	60%

Notes to the Annual Financial Statements

15. Retirement benefits and long term service awards (continued)

Continuation of membership at retirement	75%	75%
Proportion of eligible in-service non-members joining a scheme by retirement and continuing with the subsidy at and after retirement ("take-up rate")	0%	25%

Table 7.1: Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	Eligible Employees	Continuation members	Total	Change
Central assumptions		17.677	5.888	23.565	
Health care inflation rate	+1% -1%	19.421 15.514	6.071 5.660	25.492 21.174	8% -10%
Discount rate	+1% -1%	14.978 21.113	5.452 6.393	20.430 27.506	-13% 17%
Post-employment Mortality	+1 YR +1 YR	17.245 18.099	5.709 6.067	22.954 24.166	3% 3%
Average retirement age	+1 YR	19.254	5.888	25.142	7%
Continuation of membership at retirement	+1%	15.374	5.888	21.262	-10%

Table A4.2: Withdrawal rates

This Valuation		
Age	Females	Males
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55	0%	0%
> 55	0%	0%

Notes to the Annual Financial Statements

	2022	2021

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Furniture world	226,413	226,413
Horseshoe Township	1,591,217	1,591,217
IDP Community participation	69,019	69,019
Industrial Park	177,382	177,382
Peoples Housing Project 12 and 13	26,702	26,702
Shayamoya Eco- Complex	1,031,743	31,743
Small Town Rehabilitation	95,508	95,508
Building plans	1,193	1,193
Cultural Village	858,549	891,248
Housing account	2,693,248	1,701,654
Sports & Recreation	20,806	20,806
Massification	41,352	41,352
Informal Trader stalls	-	4,483,795
Smart city development strategy	349,063	469,813
Greenest Municipality	178,710	375,000
SETA	111,223	-
	7,472,128	**10,202,845**

17. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Reversed during the year	Total
Landfill site	16,433,545	1,231,706	(2,391,673)	15,273,578
Provision for performance bonus	2,082,395	1,761,153	(2,082,395)	1,761,153
	18,515,940	**2,992,859**	**(4,474,068)**	**17,034,731**

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Landfill site	12,212,617	4,220,928	-	-	16,433,545
Provision for performance bonus	2,001,718	2,082,395	(193,336)	(1,808,382)	2,082,395
	14,214,335	**6,303,323**	**(193,336)**	**(1,808,382)**	**18,515,940**

Non-current liabilities	15,273,578	16,433,545
Current liabilities	1,761,153	2,082,395
	17,034,731	**18,515,940**

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date.

The balance of the performance bonus provisions relate to amounts not yet paid and eligible employees awaiting assessment for 2021/2022 financial year.

Notes to the Annual Financial Statements

18. Deferred income

	2022	2021
Electricity Units purchases unused	923,393	258,576
Sale of land	2,429,130	2,429,130
	3,352,523	**2,687,706**

Deferred Income relates to unused electricity credits .
Income was received for the sale of land which the risks and rewards are still with the municipality.This refers to:
-Erf 2291
-Erf 2293
-Erf 383
-Erf 4684
-Erf 8275

Notes to the Annual Financial Statements

	2022	2021

19. Service charges

Sale of electricity	170,943,799	134,573,363
Refuse removal	22,141,883	17,063,266
Other services charges	2,795,588	1,654,765
	195,881,270	**153,291,394**

20. Rental of facilities and equipment

Premises

Rental of facilities	4,449,404	1,876,336

21. Licences and permits

Testing ground and licensing	5,307,608	4,557,646

22. Other income

Other income	702,263	666,573

23. Investment revenue

Interest revenue

Interest earned - external investments	3,611,356	3,947,824

Notes to the Annual Financial Statements

	2022	2021

24. Property rates

Actual

	2022	2021
Residential	43,866,672	46,311,562
Commercial	35,720,633	32,607,245
Public service infrastructure	-	99,419
Government	58,447,884	56,713,176
Industrial	13,541,237	12,975,589
Agriculture	12,271,747	12,224,873
Sectional titles	2,701,207	2,665,088
Less: Income forgone	(36,958,076)	(41,104,600)
	129,591,304	122,492,352
Interest received - outstanding receivables	6,191,098	5,235,431
	135,782,402	**127,727,783**

Valuations

	2022	2021
Residential	3,046,512,900	3,047,087,000
Commercial	1,176,897,500	1,147,655,500
Public benefit organisation	73,342,500	66,235,000
Municipal Properties	551,011,500	535,172,000
Government	1,489,265,500	1,500,141,500
Industrial	409,086,500	429,053,000
Agricultural	3,527,186,539	3,780,948,039
Public service infrastructure	24,198,950	25,910,500
Place of worship	117,707,000	99,838,000
	10,415,208,889	**10,632,040,539**

Category Of Owner	House hold Income from and to.	Age from and to	Percentage Rebate
Indigent persons	Nil	Amount Equal to 2 state pensions	100%
Child headed households (see criteria below)	Nil	Amount Equal to 2 state pensions	100%
A pensioner or Retiree or Disabled person or Medically boarded	60 – 65 years	60 – 65 years	55%
A pensioner or Retiree or Disabled person	66 – 70 years	66 – 70 years	75%
A pensioner or Retiree or Disabled person	71 years and above	71 years and above	100%

	2022	2021

25. Government grants and subsidies

Operating grants		
Equitable share	68,350,000	77,546,000
FMG	1,749,517	1,800,000
SETA	124,441	85,231
Expanded Public Works Programme	4,628,000	3,164,000
Arts and Culture	3,037,000	2,261,000
Covid 19	-	2,333
Transport	597,209	-
	78,486,167	**84,858,564**
Capital grants		
Intergrated National Electrification Programme	23,538,000	360,000
Municipal Infrastructure Grant	18,073,000	17,229,000
Informal economic trader stalls	4,483,795	32,844
Building plans management systems	-	498,807
Housing account	43,779,667	23,428,099
Grennest city	196,290	-
Cultural village	32,700	4,705,439
Smart city Development strategy	120,750	30,188
	90,224,202	**46,284,377**
	168,710,369	**131,142,941**

Equitable Share

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

Unconditional grants received	68,350,000	76,931,000
Transfred to National treasury	-	615,000
Unconditional grants spent	(68,350,000)	(77,546,000)
	-	-

Financial Management Grant - FMG

Current-year receipts	1,750,000	1,800,000
Conditions met - transferred to revenue	(1,750,000)	(1,800,000)
	-	-

This grant is used for implementation of MFMA, finance reforms and payment of intern's salaries.

Municipal Infrastructure Grant - MIG

Current-year receipts	18,073,000	17,229,000
Conditions met - transferred to revenue	(18,073,000)	(17,229,000)
	-	-

This grant is used for for road infrastructure as part of upgrading of infrastructure projects.

Small Town Rehabilitation

Balance unspent at beginning of year	95,508	95,508

Conditions still to be met - remain liabilities (see note 16).

Notes to the Annual Financial Statements

	2022	2021

25. Government grants and subsidies (continued)

This grant is used for development in town like upgrading sidewalks, parkings and storm water drainage.

Horseshoe Township

Balance unspent at beginning of year	1,591,217	1,591,217

This grant is used for upgrading informal settlement areas within the Municipality.

Massification

Balance unspent at beginning of year	41,352	41,352

Conditions still to be met - remain liabilities (see note 16).

Arts and culture

Current-year receipts	3,037,000	2,261,000
Conditions met - transferred to revenue	(3,037,000)	(2,261,000)
	-	-

This grant is used for the provision of staffing costs for Library services within the Municipality.

Sports and Recreation

Balance unspent at beginning of year	20,806	20,806

Conditions still to be met - remain liabilities (see note 16).

This grant is used for upgrading and maintenance of Sport field.

Community Participation Grant

Balance unspent at beginning of year	85,673	85,673

Conditions still to be met - remain liabilities (see note 16).

This grant is for IDP compilation and processes.

EPWP

Current-year receipts	4,628,000	3,164,000
Conditions met - transferred to revenue	(4,628,000)	(3,164,000)
	-	-

EPWP Grant is used to expand job creation efforts in specific focus areas where labour intensive delivery methods can be measured

Shayamoya eco complex

Balance unspent at beginning of year	31,743	31,743
Current-year receipts	1,000,000	-
	1,031,743	**31,743**

Notes to the Annual Financial Statements

	2022	2021

25. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 16).

Grant is used to boost local economic tourism and environment.

Light industrial park

Balance unspent at beginning of year	177,382	177,382

Conditions still to be met - remain liabilities (see note 16).

Grant is used to build infrustructure to boost small to meduim businesses.

Furniture World

Balance unspent at beginning of year	226,413	226,413

Conditions still to be met - remain liabilities (see note 16).

The Grant is used to provided on the job training for the youth , capacitating them for job readiness .

SETA

Current-year receipts	235,665	85,231
Conditions met - transferred to revenue	(124,441)	(85,231)
	111,224	**-**

Conditions still to be met - remain liabilities (see note 16).

The Grant is used to provided on the job training for the youth , capacitating them for job readiness

Integrated National Electrification Programme

Balance unspent at beginning of year	-	614,557
Current-year receipts	23,538,000	360,000
Conditions met - transferred to revenue	(23,538,000)	(360,000)
Other	-	(614,557)
	-	**-**

This grant is used for the upgrade of bulk electricity infrustructure

Cultural Village (Cogta)/ shayamoya Internal Roads (EPWP)

Balance unspent at beginning of year	891,248	5,596,688
Conditions met - transferred to revenue	(32,700)	(4,705,440)
	858,548	**891,248**

Conditions still to be met - remain liabilities (see note 16).

This grant is used to boost the local tourism sector.

	2022	2021

25. Government grants and subsidies (continued)

Disaster COVID19 grant

Balance unspent at beginning of year	-	2,333
Conditions met - transferred to revenue	-	(2,333)
	-	**-**

IDP Community participation

Balance unspent at beginning of year	69,019	69,019

Conditions still to be met - remain liabilities (see note 16).

Housing

Balance unspent at beginning of year	1,701,654	2,027,209
Current-year receipts	44,771,261	23,119,198
Conditions met - transferred to revenue	(43,779,667)	(23,444,753)
	2,693,248	**1,701,654**

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

Smart city Development strategy

Balance unspent at beginning of year	469,812	-
Current-year receipts	-	500,000
Conditions met - transferred to revenue	(120,750)	(30,188)
	349,062	**469,812**

Conditions still to be met - remain liabilities (see note 16).

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Building plans management systems

Balance unspent at beginning of year	1,193	500,000
Conditions met - transferred to revenue	-	(498,807)
	1,193	**1,193**

Conditions still to be met - remain liabilities (see note 16).

Informal economic trade stalls

Balance unspent at beginning of year	4,483,795	-
Current-year receipts	-	4,516,639
Conditions met - transferred to revenue	(4,483,795)	(32,844)
	-	**4,483,795**

	2022	2021

25. Government grants and subsidies (continued)

Peoples Housing

	2022	2021
Balance unspent at beginning of year	26,702	26,702

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

Grennest city

	2022	2021
Balance unspent at beginning of year	375,000	-
Current-year receipts	-	375,000
Conditions met - transferred to revenue	(196,290)	-
	178,710	**375,000**

Conditions still to be met - remain liabilities (see note 16).

KZN Transport

	2022	2021
Current-year receipts	597,209	-
Conditions met - transferred to revenue	(597,209)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

26. Fines, Penalties and Forfeits

	2022	2021
Fines	1,455,500	2,335,547
Illegal Connections Fines	88,420	37,328
Overdue Books Fines	-	300
	1,543,920	**2,373,175**

Notes to the Annual Financial Statements

	2022	2021

27. Employee related costs

Basic	92,991,788	91,998,009
Bonus	6,963,484	6,974,574
Medical aid - company contributions	6,140,952	6,174,036
UIF	760,277	683,660
SDL	1,224,568	1,018,999
Leave pay provision	2,968,501	2,697,072
Pension fund	15,806,427	15,607,364
Travel, motor car, accommodation, subsistence and other allowances	6,031,768	5,894,402
Overtime payments	6,307,480	6,923,361
Housing benefits and allowances	1,509,833	1,505,652
Performance bonus Provision	1,761,153	2,082,395
Interest on post employment benefits	2,921,000	2,396,000
Current Service Cost	2,121,000	1,598,000
	147,508,231	**145,553,524**

Remuneration of Municipal Manager

Annual Remuneration	922,637	917,425
Car Allowance	290,000	261,554
Performance Bonuses	54,000	258,797
Contributions to UIF, Medical and Pension Funds	120,000	28,326
Other Allowance	79,465	-
	1,466,102	**1,466,102**

Remuneration of Chief Financial Officer

Annual Remuneration	509,155	616,441
Car Allowance	216,818	203,409
Performance Bonuses	46,210	100,718
Contributions to UIF, Medical and Pension Funds	112,642	27,657
Other Allowance	133,439	-
	1,018,264	**948,225**

Remuneration of Community Services Executive Manager

Annual Remuneration	859,828	593,155
Car Allowance	158,435	158,435
Performance Bonuses	48,000	-
Contributions to UIF, Medical and Pension Funds	67,200	27,657
Other Allowance	63,339	168,977
	1,196,802	**948,224**

Remuneration of Infrastructure Planning and Development Executive Manager

Annual Remuneration	91,926	704,063
Car Allowance	15,410	162,727
Performance Bonuses	-	53,777
Contributions to UIF, Medical and Pension Funds	-	27,657
Other Allowance	177,735	-
	285,071	**948,224**

Remuneration of Corporate Services Executive Manager

Notes to the Annual Financial Statements

	2022	2021

27. Employee related costs (continued)

Annual Remuneration	680,078	766,206
Car Allowance	196,551	36,000
Performance Bonuses	-	118,361
Contributions to UIF, Medical and Pension Funds	136,834	27,657
Other Allowance	183,339	-
	1,196,802	**948,224**

Remuneration of Economic Development & Spatial Planning Executive Manager

Annual Remuneration	772,617	556,335
Car Allowance	139,138	131,054
Contributions to UIF, Medical and Pension Funds	191,709	122,400
Bonus/ 13th cheque	-	57,000
Back pay	-	27,657
Cell Phone , rural and other allowance	93,339	55,991
	1,196,803	**950,437**

28. Remuneration of councillors

Mayor	891,679	687,625
Deputy Mayor	721,415	530,446
Speaker	635,539	522,984
Councillors	3,742,560	3,733,109
Councillors' allowances	1,054,377	1,366,431
Councillors' pension and medical contributions	561,384	760,364
	7,606,954	**7,600,959**

29. Repairs and maintenance

Repairs and maintenance	4,693,154	8,058,260

30. Depreciation and amortisation

Property, plant and equipment	43,530,206	28,847,265
Intangible assets	281,577	281,577
	43,811,783	**29,128,842**

31. Debt impairment

Debt written off	17,889,881	4,159,622

32. Bulk purchases

Electricity - Eskom	117,540,518	109,282,374

Notes to the Annual Financial Statements

33. Contracted services

	2022	2021
Financial Management Systems	5,726,237	5,242,346
Legal Advice and Litigation	6,956,391	16,930,835
Professional Services	2,912,994	2,661,654
Burial services	373,065	321,186
Valuation services	244,496	432,728
Security services	11,400,034	10,298,684
Town planning services	-	326,137
Research and Advisory	808,838	776,031
	28,422,055	**36,989,601**

34. General expenses

	2022	2021
Advertising	1,652,981	2,034,614
Auditors remuneration	1,904,788	2,045,052
Bank charges	569,043	758,955
Third party Commision	1,487,103	913,044
Materials maintenance	12,715,969	15,337,965
Departmental electricity consumption	398,063	677,856
Collection costs	9,397,280	5,140,816
Bursaries	6,912	105,501
Stocks and materials	5,049,763	4,446,502
Staff wellness	306,558	371,121
Insurance	1,563,245	1,544,075
Conferences and seminars	1,988,820	1,999,179
Pound management fees	280,000	336,000
ICT services	3,930,591	2,765,844
Rentals buildings and vehicles	716,159	264,859
Subscription & memberships	2,285,606	2,344,287
Fuel and oil	3,788,310	2,919,978
Postage and courier	453,397	304,729
Printing and stationery	-	127,116
Rental of surveillance cameras	-	4,080
Telephone and fax	2,041,209	1,996,182
Training	318,334	-
Travel and accommodation	999,945	785,552
Uniforms	2,331,657	2,521,956
Licence fees	484,412	406,715
Other expenses	5,695,145	4,232,107
GIS	-	48,000
	60,365,290	**54,432,085**

Notes to the Annual Financial Statements

35. Cash generated from operations

	2022	2021
Surplus	91,340,396	22,148,675
Adjustments for:		
Depreciation and amortisation	43,811,783	29,128,842
Donation	775,168	-
Fair value adjustments	(3,068,524)	(2,250,751)
Provision for consumer impairment	351,412	5,609,985
Debts written off	17,889,881	4,159,622
Movements in retirement benefit assets and liabilities	1,563,995	5,157,000
Movements in provisions	(1,481,209)	4,301,605
Loss on actuarial	4,285,673	2,475,000
Indigent write-off	(36,958,076)	(22,465,252)
other Non Cash Item	143,316	-
loss on sale	9,603,724	-
Current service costs	(2,121,000)	(1,598,000)
Recovery for provision debtors	4,164,762	-
Gain on landfill site	(2,391,673)	-
Performance bonus addition non cash	1,761,153	2,082,395
Recognition deferred revenue	(923,393)	(1,378,415)
Interest on post employment benefits	2,921,000	2,396,000
Leave accrual adjustment	2,979,750	2,697,072
Provision recovery	(2,082,395)	(1,808,382)
Rates impairment recovery		
Inventory	439,768	868,446
Trade and other receivables	501,153	(5,170,709)
Revenue from non-exchange	(108,941)	(120,638)
Fines recovery	(1,732,162)	(1,820,018)
Prepayments	(25,137)	1,170,093
Payables from exchange transactions	(15,948,415)	7,934,696
Unspent conditional grants and receipts	(2,730,717)	(818,513)
Consumer deposits	(73,809)	(785,538)
VAT payable	5,260,150	1,663,005
Deferred income	(664,816)	(258,576)
Statutory Receivables	58,723	529,049
	117,541,540	**53,846,693**

Notes to the Annual Financial Statements

	2022	2021

36. Commitments

Already contracted for but not provided for

• Infrastructure	33,096,574	100,735,932
• Community	61,998,200	26,501,376
	95,094,774	**127,237,308**

Total capital commitments

Already contracted for but not provided for	95,094,774	127,237,308

Total commitments

Total commitments

Authorised capital expenditure	95,094,774	127,237,308

This committed expenditure relates to plant and equipment and infrastructure projects and will be financed by available bank facilities, accumulated surpluses, existing cash resources, funds internally generated, etc.

Funding

Expenditure will be financed from

Government Grants	91,887,137	101,846,087
Own revenue	3,207,637	25,391,220
	95,094,774	**127,237,307**

37. Contingencies

CONTINGENT LIABILITY

GREATER KOKSTAD MUNICIPALITY VS ANDIMAHLE TRADING

Andimahle was appointed for the construction of Jim Payne sports complex, They are claiming for work done which we disagree with the amount and the matter was referred to the ajudication. The adjudicator delivered a determination in terms of which the Municipality was ordered to pay Andimahle approximately R9.1 million. Municipality was dissatisfied with the order and ought to procced to arbitration.

GREATER KOKSTAD MUNICIPALITY VS PRIMROSE T.COETZE

Mrs PT Coetze seeks reinstatement with full back pay salary from the date of dismissal to date of a possible order reinstating her should she succeeds at arbitration.

GREATER KOKSTAD MUNICIPALITY VS DOLLY BIHL

Review Application by Ms Bihl.

Notes to the Annual Financial Statements

	2022	2021

38. Risk management

Financial risk management

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

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by it. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality’s operating units. The written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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

At June 30, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	44,559,377	-	-	-

Maximum credit risk exposure

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Market risk

Interest rate risk

As the municipality has interest-bearing assets such as investments , the municipality’s income and operating cash flows are substantially independent of changes in market interest rates.

39. Irregular expenditure

	2022	2021
Opening balance as previously reported	71,380,942	73,074,905
Irregular expenditure current year	21,906,889	49,713,355
Subtotal	**93,287,831**	**122,788,260**
Less: Amount written off - current	(31,499,090)	(51,407,318)
Irregular expenditure awaiting for condonment	**61,788,741**	**71,380,942**

Notes to the Annual Financial Statements

	2022	2021

39. Irregular expenditure (continued)

Expenditure identified in the current year include those listed below:

BAC Improperly Constituted	10,178,785	25,537,920
Bid Not Advertised for the Prescribed Number Of days	-	3,935,370
Scope Variation not properly approved	-	155,805
Local content	1,977,408	5,808,417
Unjustfied Deviation	-	129,565
Employees in service of state	-	171,800
Non compliance with SCM regulations	9,750,695	-
	21,906,888	**35,738,877**

40. Fruitless and wasteful expenditure

Opening balance as previously reported	459,768	482,904
	-	-
Add: Irregular Expenditure - current	372,432	-
Less: Amount written off - current	-	(23,136)
Closing balance	**832,200**	**459,768**

Incidents/cases identified in the current year include those listed below:

SARS Penalty	221,649	-
Interest Paid	150,783	-
	372,432	**-**

41. Deviation from supply chain management regulations

Original dealer	443,082	1,683,068
Emergency	1,070,581	254,728
Impossible to follow the SCM process	1,932,434	11,132,915
Total Section 36 deviations for the financial year	**3,446,097**	**13,070,711**

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process. Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements. The majority of items mentioned had to be addressed in short notice and the response times did not allow for the complete procurement process.

Approval of ratification of minor breach of procoment prosesses

42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,541,339	1,441,670
Amount paid - current year	(1,541,339)	(1,441,670)
	-	**-**

Notes to the Annual Financial Statements

	2022	2021

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

Audit fees

Current year subscription / fee	1,917,788	2,311,098
Amount paid - current year	(1,917,788)	(2,311,098)
	-	-

PAYE, UIF & SDL

Current year subscription / fee	22,666,486	20,339,643
Amount paid - current year	(22,666,486)	(20,339,643)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	34,234,991	31,242,909
Amount paid - current year	(34,234,991)	(31,242,909)
	-	-

Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding at 30 June 2022.

Award to close family member

Incident		
Ndumis Transport	-	75,800
Ndzora Trading	-	96,000
	-	**171,800**

43. Electricity losses

2022

The municipality has identified electricity losses in units 5 330 588.31 with an estimated value of R 7 641 931.40 that Equates to 6%

2021

The municipality has identified electricity losses in units 11 994 247 with an estimated value of R 21 592 044.48 that Equates to 13%.

44. In Kind assistance

The municipality received in kind assistance from Provincial Treasury

- SCM compliance assessment

- SCM bid committee training

45. Events after the reporting date

There were no material non-adjusting events that came to the attention of management after the reporting date.

46. Key sources of estimation, uncertainty and judgements

The following areas involve a significant degree of estimation uncertainty:

- Impairment testing
- Present value of defined benefit obligation
- Fair value estimation
- Provision for doubtful debts
- Useful life assessment of PPE and intangible
- Allowance for doubtful debts

47. Budget Variance Explanation

1. Service Charges:Variance is due to new developments such a reginal Mall and electrification of informal and formal settlements in Kokstad resulting in a increase in electricity consumption.

2. Rental of Facilities: Variance is due to relaxation of COVID 19 condition/ regulation resulting to other facilities such as hall being hired out for revenue generation.

3. Interest on investments: There was a reduction on investment that authomatical affect interest income.

4. Interest on debtors: it is based on high collection on outstanding debt special rates.

5. License and permits: Nearby testing station they are experiencing network prtoblem then people come to kokstad to renew their permit and licences.

6.Other income: Decline in other revenue is due to demand decline related to COVID, services affected , approval of building plans ,parking management, connections.

7. Debt Impairment: Additional indigent beneficial were added after the original was approved in addiction council has undertaken debts cleansing exercise.

8. Material & Bulk purchases: The decrease is due to NERSA approving the final tariffs after the municipal budget has been approved.

9. Contracted Services: The variance was due to expenditure control Measures.

10.Employee related costs: The varience is as the results of none cash items (Employee obligation Transactions) included employee cost actuals.

11.General expenses: The variance was due to expenditure control Measures.

12)Property rates new developments such a reginal Mall included in supplementary roll.

13)Transfer recognised -
Operational & Capital: Due to national treasury circular procurement delays were experienced .
14.Provision for performance bonusrecovery : non- cash item accounting transaction resulting in non-payment
15.Depreciation and assetimpairment:Due to capitalized assets previously not capitalized

48. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At cost	Total

	2022	2021

48. Financial instruments disclosure (continued)

Receivables from non-exchange transactions	37,901,986	37,901,986
Receivables from exchange transactions	31,444,806	31,444,806
Cash and cash equivalents	71,006,591	71,006,591
	140,353,383	**140,353,383**

Financial liabilities

	At cost	Total
Consumer deposits	4,429,702	4,429,702
Unspent conditional grants	7,472,128	7,472,128
Trade and other payables from exchange transactions	44,559,377	44,559,377
	56,461,207	**56,461,207**

2021

Financial assets

	At cost	Total
Receivables from non-exchange transactions	35,264,604	35,264,604
Receivables from exchange transactions	25,772,944	25,772,944
Cash and cash equivalents	117,336,921	117,336,921
	178,374,469	**178,374,469**

Financial liabilities

	At cost	Total
Consumer deposits	4,524,843	4,524,843
Unspent conditional grants	10,521,358	10,521,358
Trade and other payables from exchange transactions	53,337,302	53,337,302
	68,383,503	**68,383,503**

49. Related parties

Accounting Officer	Refer to accounting officers' report note

Key Management Information

Class	Description
Municipal Manager	Accounting Officer
Chief Financial Officer	Senior Management
Community Services Executive Manager	Senior Management
Infrastructure Planning and Development	Senior Management
Corporate Services Executive Manager	Senior Management
EDPS Executive Manager	Senior Management

Remuneration of Management

Councillors

Refer to general information page for full list of councillors.

Executive Management

Refer to note "Employee Related Costs"

Payment of remuneration of senior managers and councillors - details of payments are set out in notes 27&28.

Notes to the Annual Financial Statements

	2022	2021

50. Change in estimate

Statement of financial position		
PPE Motor Vehicles	-	1,526,887
Statement of financial perfomance		
Depreciation expense	-	(1,526,887)

51. Prior period errors

The restatement of PPE balances was a result of two conditions. In 2021 there were assets which were not previously capitalized resulting in backlog deprecitaion required.
The muncipality peforms conditional assets and per GRAP 17 . In 2022 there were assets which were still in use however had zero balances.

The correction of the error(s) results in adjustments as follows:

Statement of financial position	**2022**	**2021**
PPE-Infrustructure	-	(370,256)
PPE- Other property, plant and equipment	-	7,195,386
Statement of financial performance		
Depreciation expense	-	(6,825,130)

Notes to the Annual Financial Statements

	2022	2021

52. Segment information

Notes to the Annual Financial Statements

Figures in Rand

52. Segment information (continued)

Segment surplus or deficit

2022

	BTO	COMMUINTY SOCIAL SERVICES	CORPORATE SERVICES	EDSP	ITS	MUNICIPAL MANAGER	Total
Revenue							
Service charges	625,327	22,929,535	-	725,260	171,528,246	-	195,808,368
Rental of facilities and equipment	37,995	4,411,408	-	-	-	-	4,449,403
Licences and permits	-	5,299,897	7,711	-	-	-	5,307,608
Interest earned - external investments	3,611,356	-	-	-	-	-	3,611,356
Property rates	129,591,304	-	-	-	-	-	129,591,304
Interest earned - outstanding receivables	6,191,098	-	-	-	-	-	6,191,098
Government grants and subsidies	70,099,517	3,634,208	899,609	53,208,502	41,643,699	-	169,485,535
Donation	775,168	-	-	-	-	-	775,168
Fines, Penalties and Forfeits	-	1,455,500	-	-	88,420	-	1,543,920
Recovery for provision debtors	4,164,762	-	-	-	-	-	4,164,762
Provision for performance recovery of bonuses	-	2,082,395	-	-	-	-	2,082,395
Total segment revenue	**215,096,527**	**39,812,943**	**907,320**	**53,933,762**	**213,260,365**	**-**	**523,010,917**
Entity's revenue							**523,010,917**
Expenditure							
Salaries and wages	(19,515,764)	(48,309,731)	(31,261,747)	(14,840,461)	(27,803,901)	(5,776,627)	(147,508,231)
Remuneration of councillors	-	-	-	-	-	(7,606,954)	(7,606,954)
Depreciation and amortisation	-	(43,048,340)	-	-	-	-	(43,048,340)
Finance costs	-	(1,231,706)	-	-	-	-	(1,231,706)
Debt written off	(17,207,178)	-	-	-	-	-	(17,207,178)
Bulk purchases	-	-	-	-	(117,540,518)	-	(117,540,518)
Provision of impairment of debtors expense	-	-	(351,412)	-	-	-	(351,412)
Contracted services	(28,422,055)	-	-	-	4,693,154	-	(23,728,901)
General expenses	(69,068,895)	-	-	-	-	-	(69,068,895)
Total segment expenditure	**(134,213,892)**	**(92,589,777)**	**(31,613,159)**	**(14,840,461)**	**(140,651,265)**	**(13,383,581)**	**(427,292,135)**

Notes to the Annual Financial Statements

Figures in Rand

	BTO	COMMUINTY SOCIAL SERVICES	CORPORATE SERVICES	EDSP	ITS	MUNICIPAL MANAGER	Total
52. Segment information (continued)							
							-

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