



**Audited  
By**  
**2022 -11- 3 0**  
**Auditor General South Africa  
Mpumalanga Business Unit**

**Steve Tshwete Local Municipality  
Annual Financial Statements  
for the years ended 30 June 2022**

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## General Information

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### Legal form of entity

Local Municipality

### Nature of business and principal activities

The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community:

**General services** - All types of services rendered by the municipality, excluding the supply of housing to the community.

**Waste management services** - The collection, disposal and recycling of waste.

**Electricity services** - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality.

**Waste water management** - Collection and purification of waste water.

**Water services** - Supply and purifying of water.

### Mayoral committee

Executive Mayor

Cllr P M Masilela  
Cllr L E Nkwana  
Cllr M C Mphego  
Cllr M J Sekgwele  
Cllr M G Maseko  
Cllr B C Shabangu  
Cllr G N B Mathibela

Speaker

Council Whip

Councillors

Cllr T R Mpye  
Cllr C S Mashiloane  
Cllr C B Shabangu  
Cllr M J Sekgwele  
Cllr G N B Mathibela  
Cllr M G Maseko  
Cllr M C Mphego  
Cllr L E Nkwana  
Cllr H F Niemann  
Cllr M G Amigo  
Cllr I Mahlangu  
Cllr P V Malinga  
Cllr M E Nyambi  
Cllr W M M Phetla  
Cllr L N Sibanda  
Cllr J F Sithole

Cllr M L Shabangu  
Cllr J M Shongwe  
Cllr J Skosana  
Cllr P E Williams  
Cllr L J N Zondo  
Cllr S W Zulu  
Cllr E M Bruiners  
Cllr H G De Klerk  
Cllr J Dyason  
Cllr A S Grobler



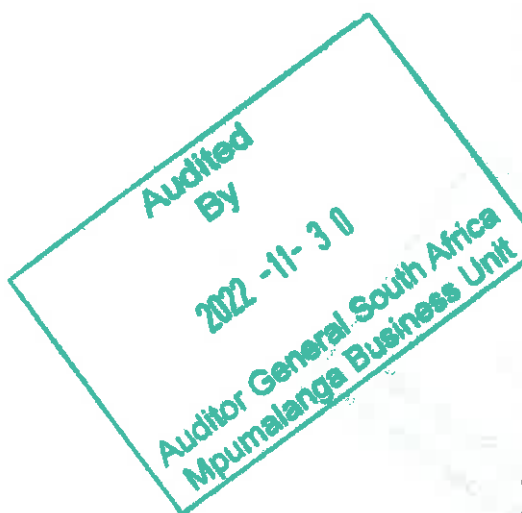
# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## General Information

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Cllr D D Klopper  
Cllr P Mobango  
Cllr S M Mogola  
Cllr J P Pretorius  
Cllr L S Qoka  
Cllr G H E Romijn  
Cllr C M Soko  
Cllr A Struwig  
Cllr D A Struman  
Cllr A O Thabatha  
Cllr D J Van Der Merwe  
Cllr S M Wait  
Cllr N Bottoman  
Cllr A Chego  
Cllr O A Cossa  
Cllr E P Mahlangu  
Cllr P Malinga  
Cllr M J Mapheto  
Cllr J N Mthombeni  
Cllr Z J Ngubeni  
Cllr N T Tshoane  
Cllr S T Mathunyane  
Cllr B C Mashabela  
Cllr M P Mogola  
Cllr N Z O Motta  
Cllr B H Mokoena  
Cllr H Pilodia  
Cllr J Segage  
Cllr J C Haarhoff  
Cllr J Mentz  
Cllr C J Wolmarans



<b>Grading of local authority</b>	Grade 4
<b>Chief Finance Officer (CFO)</b>	M.D Mogofe
<b>Accounting Officer</b>	T. Zulu
<b>Registered office</b>	Civic Centre Wanderers Avenue Middelburg 1050
<b>Postal address</b>	P.O. Box 14 Middelburg 1050
<b>Bankers</b>	First National Bank Nelspruit
<b>Auditors</b>	Auditor-General of South Africa
<b>Attorneys</b>	Van Deventer & Campher Maphanga & Essa Incorporated

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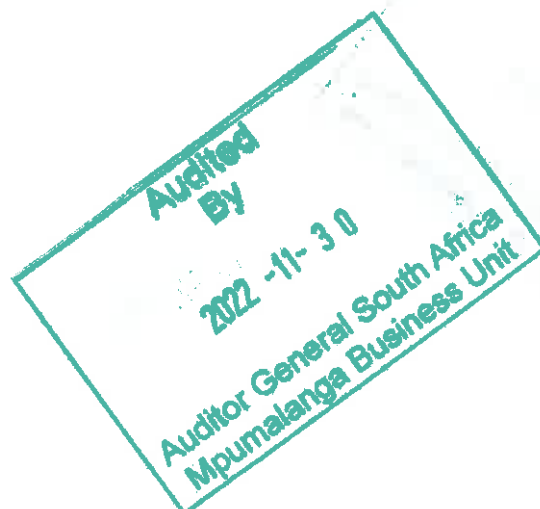
# Steve Tshwete Local Municipality

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## General Information

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	Nkgadima Attorneys Morudu Attorneys SM Sibeko Attorneys
Capacity of local authority	High capacity
Municipality demarcation code	MP313
All figures are rounded off to the nearest Rand (R)	



# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Index

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

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COVID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

Although the are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 9.

The annual financial statements set out on page 9, which have been prepared on the going concern basis, were approved by the on 31 August 2022 and were signed on its behalf by:

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**T. Zulu**  
**Acting Municipal Manager**

**Middelburg**  
**31 August 2022**

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Audit Committee Report

We are pleased to present our report for the financial years ended 30 June 2022.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet x times per annum as per its approved terms of reference. During the current year 8 number of meetings were held.

Name of Member	Number of Ordinary meeting attended	Number of special meeting attended	Total meetings held	Number attended	Number not attended
Mudau F (Chairperson)	4	3	7	7	-
Gafane T	3	2	7	5	2
Ntuli P	4	3	7	7	-
Masite J S	2	2	7	4	3
Chamane M	3	2	7	5	2
Boltman T	4	3	7	7	-
	<b>20</b>	<b>15</b>	<b>42</b>	<b>35</b>	<b>7</b>

### Audit committee responsibility

The Audit and Performance Committee has adhered to its mandate as mentioned in Section 166(2)(a) of the Municipal Finance Management Act and furthermore discharged its oversight responsibilities in the year under review herein:

- Reviewed the Risk Management Policies, Frameworks and procedures that identified, monitors and manages risks.
- Played a pivotal advisory role in;
  - Financial management and other reporting practices.
  - Internal controls and management of risks
  - Compliance with laws, regulations and ethics
  - Corporate Governance practices
  - Performance Management Information
- Reported to the Management and/or Council any matter identified during the course of carrying out its duties that it considers significant.
- Approved Internal Audit strategic and operational plans and reviewed performance against them;
- Reviewed and recommend the Internal Audit Charter for Council approval;
- Engaged with Internal Audit its findings and the responses of management to its significant recommendations and periodically its views on the quality of control, governance and risk management processes;
- Represented the matters of Internal and External Audit to the Executive Authority of the Municipality in terms of the Municipal Finance Management Act;
- Reviewed the annual report before its release and considered whether the financial information is appropriate, reasonable, accurate, adequate and consistent with prescribed regulations of the municipality and its operations.
- Reported annually in the required format as part of annual report of the Municipality.
- Reviewed professional and regulatory pronouncements to understand their impact on financial and non-financial statements.
- Reviewed the quarterly management reports and
- Considered the appropriateness of the Municipality's accounting policies and principles and in doing so reviewed the application and currency, and adherence to the stated financial reporting framework.
- Gain an understanding on the areas of major risks including related risks and determine management's capacity to manage them effectively.

### The effectiveness of Internal control

The effectiveness of internal controls has been assessed to have demonstrated reasonable level of assurance on the effective and efficient of controls, risk management and governance processes.

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Audit Committee Report

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### Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the ;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

### Internal audit responsibility

The effectiveness of internal controls has been assessed to be have demonstrated reasonable level of assurance on the effective and efficient of controls, risk management and governance processes.

- Reviewed the reliability and integrity of financial and operating information, and the means used to identify, measure, classify and report such information.
- Reviewed the system established to ensure compliance with policies, plans, procedures, laws and regulations that could have a significant impact operation.
- Reviewed the means of safeguarding assets and as appropriate, verifying the existence of such assets in order to provide management with reasonable assurance that assets are protected against loss that could results from fire, theft other improper or illegal activities or exposure to the elements.
- Reviewed and appraised the economy and efficiency with which resources are employed with a context to evaluates operating standards are understood and are being met and deviations from operating standard are identified, analyzed and communicated to management responsible for corrective action and effective corrective action has been taken.
- Reviewed operations to ascertain results are consistent with established objectives and goals, and the operations or programs are being carried out as planned.
- Providing consultation and other services to management as need be to make decision about control, governance and risk management.
- **Risk management**

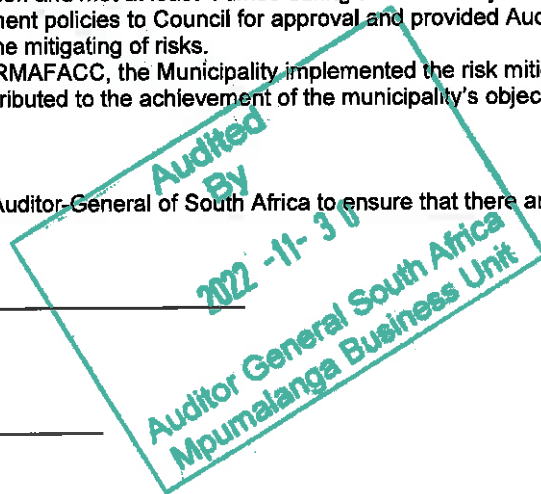
The Municipality established a Risk Management, Anti-Fraud and Anti-Corruption Committee (RMAFACC) chaired by an independent Chairperson and met at least 4 times during the financial year. The RMAFACC considered and recommended risk management policies to Council for approval and provided Audit Committee and Council with quarterly reports regarding the mitigating of risks. Based on the reports of the RMAFACC, the Municipality implemented the risk mitigating activities planned to reduce the risk exposure which contributed to the achievement of the municipality's objectives as set out in the SDBIP.

### Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

\_\_\_\_\_  
Chairperson of the Audit Committee

Date: \_\_\_\_\_





# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	11	66,438,572	68,565,308
Current portion of long term receivables	7	2,926,784	7,519,901
Operating lease asset	8	6,384,548	3,468,348
Other receivables from exchange transactions	12	10,468,810	9,066,327
Receivables from non-exchange transactions	13	58,330,072	59,367,438
VAT receivable	14	104,383,127	83,691,996
Receivables from exchange transactions	15	113,350,521	93,100,113
Investments	10	200,000,000	250,000,000
Deposits		3,133,067	2,815,696
Cash and cash equivalents	16	170,617,606	94,565,439
		<b>736,033,107</b>	<b>672,160,566</b>
<b>Non-Current Assets</b>			
Investment property	4	27,508,254	26,095,033
Property, plant and equipment	5	7,496,674,150	7,165,341,550
Intangible assets	6	24,896,989	17,660,031
Long term receivables	7	5,245,692	5,935,860
		<b>7,554,325,085</b>	<b>7,215,032,474</b>
<b>Total Assets</b>		<b>8,290,358,192</b>	<b>7,887,193,040</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Long term liabilities	18	70,770,902	39,935,163
Finance lease obligation	17		3,369,833
Payables from exchange transactions	21	467,380,196	385,650,270
Payables from non-exchange transactions	22	371,124	1,434,412
Consumer deposits	23	90,305,193	77,131,364
Employee benefit obligation	9	3,655,000	3,506,001
Provisions	19	1,539,383	769,692
Long service awards	20	4,778,000	3,536,000
		<b>638,799,798</b>	<b>515,332,735</b>
<b>Non-Current Liabilities</b>			
Long term liabilities	18	747,865,815	420,361,263
Employee benefit obligation	9	118,050,001	111,674,000
Provisions	19	32,980,669	35,490,987
Long service awards	20	27,111,000	24,917,000
		<b>926,007,485</b>	<b>592,443,250</b>
<b>Total Liabilities</b>		<b>1,564,807,283</b>	<b>1,107,775,985</b>
<b>Net Assets</b>		<b>6,725,550,909</b>	<b>6,779,417,055</b>
Accumulated surplus		6,725,550,909	6,779,417,055
<b>Total Net Assets</b>		<b>6,725,550,909</b>	<b>6,779,417,055</b>

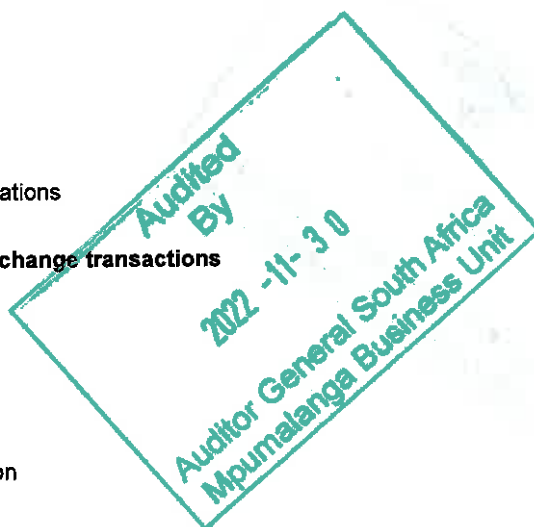


# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	25	1,016,057,551	962,464,630
Sales of goods and rendering of services		14,839,094	8,283,087
Rental of facilities and equipment	26	21,603,865	17,653,529
Interest received - trading	30	4,379,476	3,296,884
Income from agency services	28	25,808,104	31,009,887
Licences and permits	29	5,786,786	6,978,479
Operating income	31	18,245,046	50,638,307
Investment revenue	32	19,729,235	19,906,215
<b>Total revenue from exchange transactions</b>		<b>1,126,449,157</b>	<b>1,100,231,018</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	33	445,311,483	428,628,643
Interest received - trading	30	4,111,880	3,084,575
<b>Transfer revenue</b>			
Transfers and subsidies	35	440,978,887	422,470,902
Public contributions and donations	36	12,909,841	41,921,336
Fines, penalties and forfeits	27	17,991,283	36,174,618
<b>Total revenue from non-exchange transactions</b>		<b>921,303,374</b>	<b>932,280,074</b>
<b>Total revenue</b>	24	<b>2,047,752,531</b>	<b>2,032,511,092</b>
<b>Expenditure</b>			
Employee related costs	37	(680,801,700)	(649,857,201)
Remuneration of councillors	38	(27,022,288)	(23,201,104)
Administration		-	(381,486)
Depreciation and amortisation	39	(212,994,160)	(202,065,474)
Impairment of assets	40	(53,734,445)	-
Finance costs	41	(61,647,359)	(37,629,948)
Rentals		(1,054,712)	(983,749)
Bad debts written off	47	(17,099,332)	(40,327,167)
Bulk purchases	42	(622,993,689)	(552,032,000)
Contracted services	43	(238,587,312)	(200,513,993)
Transfers and subsidies paid	34	(23,293,162)	(2,342,339)
Loss on disposal of assets and liabilities		(2,440,308)	(16,724,408)
Inventory consumed		(52,860,349)	(67,582,157)
Operational costs	44	(107,780,487)	(96,213,407)
<b>Total expenditure</b>		<b>(2,102,309,303)</b>	<b>(1,889,854,433)</b>
<b>(Deficit) surplus for the years</b>		<b>(54,556,771)</b>	<b>142,656,659</b>



# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2020</b>	<b>6,636,760,396</b>	<b>6,636,760,396</b>
Changes in net assets		
Surplus for the years	142,656,659	142,656,659
Total changes	142,656,659	142,656,659
<b>Balance at 01 July 2021</b>	<b>6,780,107,680</b>	<b>6,780,107,680</b>
Changes in net assets		
Surplus for the years	(54,556,771)	(54,556,771)
Total changes	(54,556,771)	(54,556,771)
<b>Balance at 30 June 2022</b>	<b>6,725,550,909</b>	<b>6,725,550,909</b>
Note(s)		

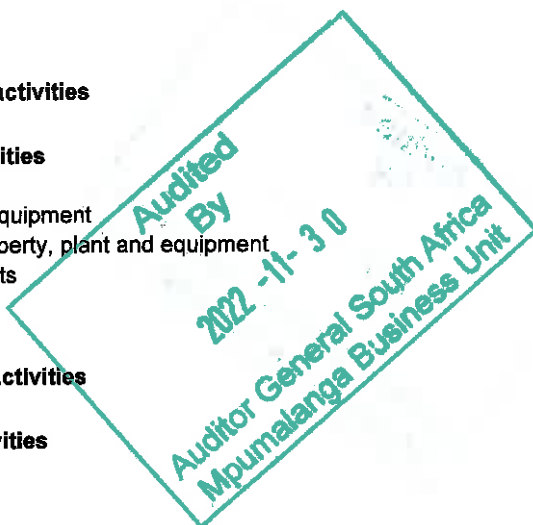


# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Cash Flow Statement

Figures in Rand	Note(s)	2022	2021
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		1,553,474,975	1,539,633,999
Grants received and public contributions		440,978,887	424,331,840
Interest income		26,335,429	24,970,419
Other operating income		18,986,650	7,349,201
		<u>2,039,775,941</u>	<u>1,996,285,459</u>
<b>Payments</b>			
Cash paid to employees and councillors		(693,897,727)	(655,041,873)
Suppliers		(970,416,200)	(869,310,094)
Finance costs		(58,540,767)	(33,994,840)
Grants paid		(23,293,162)	(2,342,339)
		<u>(1,746,147,856)</u>	<u>(1,560,689,146)</u>
<b>Net cash flows from operating activities</b>	48	<b>293,628,085</b>	<b>435,596,313</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(557,835,286)	(634,341,267)
Proceeds / (loss) from sale of property, plant and equipment	5	(2,440,308)	5,735,327
Purchase of other intangible assets	6	-	(9,214,619)
Acquisition of intangible assets	6	(11,937,978)	-
Payment of deposits		(317,371)	(419,582)
		<u>(572,530,943)</u>	<u>(638,240,141)</u>
<b>Net cash flows from investing activities</b>		<b>(572,530,943)</b>	<b>(638,240,141)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(3,385,266)	(4,537,554)
Repayment of long term loans		(91,659,709)	(37,267,746)
Raising of long term liabilities		450,000,000	-
		<u>354,955,025</u>	<u>(41,805,300)</u>
<b>Net cash flows from financing activities</b>		<b>354,955,025</b>	<b>(41,805,300)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>76,052,167</b>	<b>(244,449,128)</b>
Cash and cash equivalents at the beginning of the year		94,565,439	320,485,326
<b>Cash and cash equivalents at the end of the year</b>	16	<b>170,617,606</b>	<b>94,565,436</b>



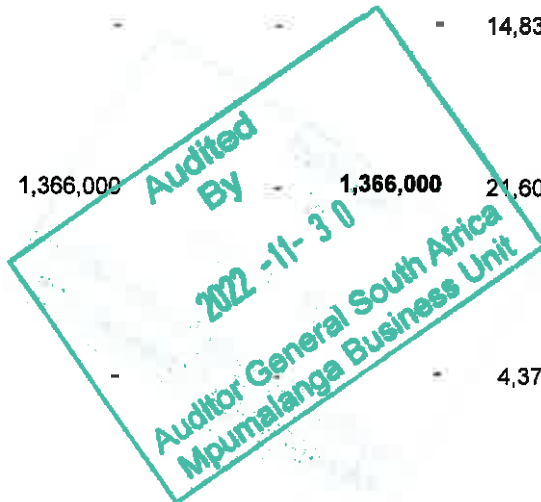
# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	1,099,402,000	5,000,000	<b>1,104,402,000</b>	1,016,057,551	<b>(88,344,449)</b>	Less revenue was realised than budgeted for.
Sale of goods and rendering of services	-	-	-	14,839,094	<b>14,839,094</b>	The budget for sale of goods was allocated under operating income.
Rental of facilities and equipment	1,366,000	-	<b>1,366,000</b>	21,603,865	<b>20,237,865</b>	More revenue realised from the renting out of facilities and equipments than budgeted for.
Interest received - trading	-	-	-	4,379,476	<b>4,379,476</b>	The interest on trading services was allocated under operating income.
Income from agency services	27,014,000	-	<b>27,014,000</b>	25,808,104	<b>(1,205,896)</b>	Less revenue realised from licensing of vehicles than budgeted for.
Licences and permits	7,634,000	-	<b>7,634,000</b>	5,786,786	<b>(1,847,214)</b>	Less revenue realised on licences and permits than budgeted for.
Operating income	77,628,000	-	<b>77,628,000</b>	18,245,046	<b>(59,382,954)</b>	Less operating income was realised than budgeted for.
Investment revenue	38,995,000	-	<b>38,995,000</b>	19,729,235	<b>(19,265,765)</b>	More interest was realised due to improved investment activities during the year.
Gain on disposal of assets and liabilities	22,080,000	-	<b>22,080,000</b>	-	<b>(22,080,000)</b>	No income was realised from disposal of assets during the year.



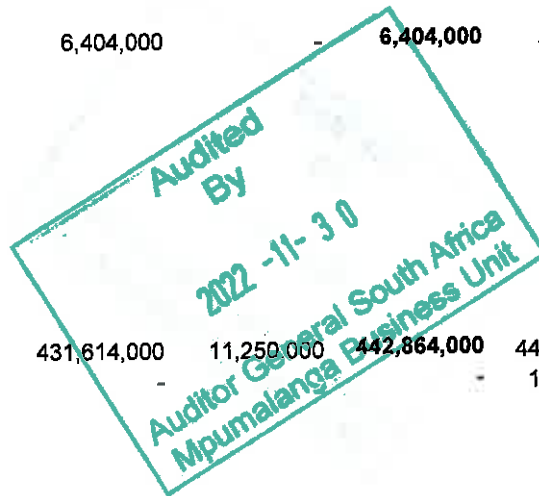
# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Total revenue from exchange transactions</b>	<b>1,274,119,000</b>	<b>5,000,000</b>	<b>1,279,119,000</b>	<b>1,126,449,157</b>	<b>(152,669,843)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	442,822,000	-	442,822,000	445,311,483	2,489,483	More revenue from property rates received due to new developments.
Interest received - trading	6,404,000	-	6,404,000	4,111,880	(2,292,120)	Less revenue collection resulting with decreased interest on outstanding accounts due to services interruption due to unrest.
<b>Transfer revenue</b>						
Transfers and subsidies	431,614,000	11,250,000	442,864,000	440,978,887	(1,885,113)	The municipality received donations that were not anticipated during the budget process.
Public contributions and donations	-	-	-	12,909,841	12,909,841	
Fines, penalties and forfeits	18,233,000	-	18,233,000	17,991,283	(241,717)	Less traffic fines were issued than anticipated in budgeting.
<b>Total revenue from non-exchange transactions</b>	<b>899,073,000</b>	<b>11,250,000</b>	<b>910,323,000</b>	<b>921,303,374</b>	<b>10,980,374</b>	
<b>Total revenue</b>	<b>2,173,192,000</b>	<b>16,250,000</b>	<b>2,189,442,000</b>	<b>2,047,752,531</b>	<b>(141,689,469)</b>	
<b>Expenditure</b>						
Employee related costs	(705,700,000)	4,442,000	(701,258,000)	(680,801,700)	20,456,300	The decrease is due to the movement on the employee benefits processed during the year.
Remuneration of councillors	(24,804,000)	(3,539,000)	(28,343,000)	(27,022,288)	1,320,712	



# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Impairment of assets	(61,331,000)	-	<b>(61,331,000)</b>	(53,734,445)	<b>7,596,555</b>	Assets that reached the end of useful life and impaired during the year as they were not yet disposed.
Depreciation and amortisation	(250,418,000)	-	<b>(250,418,000)</b>	(212,994,160)	<b>37,423,840</b>	There were no significant newly found assets identified.
Finance costs	(61,722,000)	(1,000)	<b>(61,723,000)</b>	(61,647,359)	<b>75,641</b>	Reduced finance cost was incurred than budgeted for.
Rentals				(1,054,712)	<b>(1,054,712)</b>	Less operating rentals consumed during the year than anticipated in budgeting.
Bulk purchases	(624,018,000)	10,000,000	<b>(614,018,000)</b>	(622,993,689)	<b>(8,975,689)</b>	
Transfers and subsidies paid	(21,393,000)	(1,935,000)	<b>(23,328,000)</b>	(23,293,162)	<b>34,838</b>	
Loss on disposal of assets and liabilities	(4,730,000)	-	<b>(4,730,000)</b>	(2,440,308)	<b>2,289,692</b>	The variance is due to the movement processed in accounting for assets disposal process.
Operational costs	(130,509,000)	(426,000)	<b>(130,935,000)</b>	(107,780,487)	<b>23,154,513</b>	The variance is due to the reduced spending on operational costs in order to cut expenditures.
Contracted services	(220,481,000)	(42,163,000)	<b>(262,644,000)</b>	(238,587,312)	<b>24,056,688</b>	Reduced spending on contracted services in order to cut costs.
Inventory consumed	(59,722,000)	(2,031,000)	<b>(61,753,000)</b>	(52,860,349)	<b>8,892,651</b>	Inventory consumed line was not separately provided for.

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# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Bad debts written off				(17,099,332)	<b>(17,099,332)</b>	Uncollectible traffic fines written off during the year.
<b>Total expenditure</b>	<b>(2,164,828,000)</b>	<b>(35,653,000)</b>	<b>(2,200,481,000)</b>	<b>(2,102,309,303)</b>	<b>98,171,697</b>	
<b>Deficit before taxation</b>	<b>8,364,000</b>	<b>(19,403,000)</b>	<b>(11,039,000)</b>	<b>(54,556,772)</b>	<b>(43,517,772)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>8,364,000</b>	<b>(19,403,000)</b>	<b>(11,039,000)</b>	<b>(54,556,772)</b>	<b>(43,517,772)</b>	
<b>Reconciliation</b>						

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# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	70,897,000	(1,851,000)	<b>69,046,000</b>	66,438,572	<b>(2,607,428)</b>	
Long term receivables	1,000	-	<b>1,000</b>	2,926,784	<b>2,925,784</b>	
Operating lease asset	-	-	-	6,384,548	<b>6,384,548</b>	
Receivables from exchange transactions	120,450,000	5,000,000	<b>125,450,000</b>	113,350,521	<b>(12,099,479)</b>	
Receivables from non-exchange transactions	-	-	-	58,330,072	<b>58,330,072</b>	
VAT receivable	-	-	-	104,383,127	<b>104,383,127</b>	
Other receivables from exchange transactions	201,404,000	-	<b>201,404,000</b>	10,468,810	<b>(190,935,190)</b>	
Investments	404,929,000	-	<b>404,929,000</b>	200,000,000	<b>(204,929,000)</b>	
Deposits	-	-	-	3,133,067	<b>3,133,067</b>	
Cash and cash equivalents	100,576,000	(3,454,000)	<b>97,122,000</b>	170,617,606	<b>73,495,606</b>	
	<b>898,257,000</b>	<b>(305,000)</b>	<b>897,952,000</b>	<b>736,033,107</b>	<b>(161,918,893)</b>	
<b>Non-Current Assets</b>						
Investment property	25,417,000	-	<b>25,417,000</b>	27,508,254	<b>2,091,254</b>	
Property, plant and equipment	7,006,011,000	(30,345,000)	<b>6,975,666,000</b>	7,496,674,150	<b>521,508,150</b>	
Intangible assets	12,296,000	(1,824,000)	<b>10,472,000</b>	24,896,989	<b>14,484,989</b>	
Long term receivables	7,859,000	-	<b>7,859,000</b>	5,245,692	<b>(2,613,308)</b>	
	<b>7,051,583,000</b>	<b>(32,729,000)</b>	<b>7,018,854,000</b>	<b>7,564,325,085</b>	<b>535,471,085</b>	
<b>Total Assets</b>	<b>7,949,840,000</b>	<b>(33,034,000)</b>	<b>7,916,806,000</b>	<b>8,290,358,192</b>	<b>373,552,192</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Long term liabilities	17,979,000	-	<b>17,979,000</b>	70,770,902	<b>52,791,902</b>	
Payables from exchange transactions	403,347,000	(3,181,000)	<b>399,166,000</b>	467,380,196	<b>77,214,196</b>	
Payables from non-exchange transactions	-	-	-	371,124	<b>371,124</b>	
Consumer deposits	78,525,000	-	<b>78,525,000</b>	90,305,193	<b>11,780,193</b>	
Employee benefit obligation	-	-	-	3,655,000	<b>3,655,000</b>	
Provisions	4,180,000	-	<b>4,180,000</b>	1,539,383	<b>(2,640,617)</b>	
Long service awards	-	-	-	4,778,000	<b>4,778,000</b>	
	<b>504,031,000</b>	<b>(13,181,000)</b>	<b>490,850,000</b>	<b>638,799,798</b>	<b>147,949,798</b>	
<b>Non-Current Liabilities</b>						
Long term liabilities	657,712,000	-	<b>657,712,000</b>	747,865,815	<b>90,153,815</b>	
Employee benefit obligation	-	-	-	118,050,001	<b>118,050,001</b>	
Provisions	159,554,000	(462,000)	<b>159,092,000</b>	32,980,669	<b>(126,111,331)</b>	
Long service awards	-	-	-	27,111,000	<b>27,111,000</b>	
	<b>817,266,000</b>	<b>(462,000)</b>	<b>816,804,000</b>	<b>926,007,485</b>	<b>109,203,485</b>	
<b>Total Liabilities</b>	<b>1,321,297,000</b>	<b>(13,643,000)</b>	<b>1,307,654,000</b>	<b>1,564,807,283</b>	<b>257,153,283</b>	
<b>Net Assets</b>	<b>6,628,543,000</b>	<b>(19,391,000)</b>	<b>6,609,152,000</b>	<b>6,725,550,909</b>	<b>116,398,909</b>	

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Reserves	46,792,000	-	46,792,000	-	(46,792,000)	
Accumulated surplus	6,581,751,000	(19,391,000)	6,562,360,000	6,725,550,909	163,190,909	
<b>Total Net Assets</b>	<b>6,628,543,000</b>	<b>(19,391,000)</b>	<b>6,609,152,000</b>	<b>6,725,550,909</b>	<b>116,398,909</b>	

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By  
2022-11-30  
Auditor General South Africa  
Mpumalanga Business Unit

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Accounting Policies

Figures in Rand

Note(s)

2022

2021

### 1. Presentation of Annual Financial Statements

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

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

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

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

#### 1.1 Going concern assumption

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

#### 1.2 Materiality

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

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

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

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

##### Receivables

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

The impairment for trade receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

##### Allowance for slow moving, damaged and obsolete inventory

An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Accounting Policies

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

#### 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 held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market 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.

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumptions such as the discount rate, condition of the asset, estimated future cash inflow, outflow, the term for discounting may change which may then impact our estimations and may then require a material adjustment to the carrying value of intangible assets.

#### Value in use of cash generating assets

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

#### Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

#### Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on 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 charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Accounting Policies

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

#### Post retirement benefits and other long-term benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in South African rands, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in note 9.

#### Effective interest rate

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

#### Allowance for impairment of financial assets

On receivables 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 receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 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.

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

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

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

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

#### Cost model

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

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

Item	Useful life
Property - land	indefinite

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Accounting Policies

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### 1.4 Investment property (continued)

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 are the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- primary use of the property;
- partial own use, percentage used for own use compared to percentage used to earn rentals and/or capital appreciation; and
- ancillary services, significance of services provided.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 5).

### 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Accounting Policies

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	30 - 100 years
Community assets	Straight line	30-300 years
Infrastructure assets	Straight line	10- 300 years
Land	Straight line	Indefinite
Landfill site	Straight line	10 - 300 years
Other property, plant and equipment	Straight line	2 - 30 years

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

The depreciation charge for each period is recognised in surplus or deficit.

Assets of the property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 5).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Accounting Policies

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### 1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

Intangible assets are initially measured at cost.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement, Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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



# Steve Tshwete Local Municipality

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### 1.7 Intangible assets (continued)

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

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of items of intangible assets have been assessed as follows:

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Item	Depreciation method	Average useful life
Computer software, other	Straight line	1- 15 years

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Intangible assets are derecognised:

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

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

### 1.8 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

- cash;
- a residual interest of another entity; or

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### 1.8 Financial instruments (continued)

- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

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

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

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

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

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

# Steve Tshwete Local Municipality

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## Accounting Policies

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### 1.8 Financial instruments (continued)

#### 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
Current portion of long term receivables	Financial asset measured at amortised cost
Finance lease receivables	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Deposits	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
Long term liabilities	Financial liability measured at amortised cost
Operating lease liability	Financial liability measured at amortised cost
VAT payable	Financial liability measured at amortised cost
Employee benefit obligation	Financial liability measured at fair value

#### 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.

#### 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.

# Steve Tshwete Local Municipality

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## Accounting Policies

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### 1.8 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

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

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

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

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants will consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

#### Gains and losses

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

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

#### Impairment and uncollectibility of financial assets

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

#### Financial assets measured at amortised cost:

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

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

#### Financial assets measured at cost:

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

# Steve Tshwete Local Municipality

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### 1.8 Financial instruments (continued)

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

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

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

##### Financial liabilities

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

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

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

### 1.9 Leases

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

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

# Steve Tshwete Local Municipality

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### 1.9 Leases (continued)

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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.

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

#### Operating leases - lessee

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

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

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

### 1.10 Inventories

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

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

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

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

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

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

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

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

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

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### 1.10 Inventories (continued)

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

### 1.11 Construction contracts and receivables

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the Value-Added Tax Act No.89 of 1991.

### 1.12 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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 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:

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

Criteria developed by the annual financial statements to distinguish cash-generating assets from non-cash-generating assets are as follow:

- consideration of the manner in which assets are managed to determine whether their asset management practices are consistent with those in the profit-driven private sector;
- intention in to generate positive cash inflows from that asset and earn a return that reflects the risk involved in holding such an asset; and
- service delivery objective

### Identification

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

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

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

# Steve Tshwete Local Municipality

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

#### Value in use

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

#### Discount rate

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

#### Cash-generating units

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

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

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

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

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



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

#### Reversal of impairment loss

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

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

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

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

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

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

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

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

#### Redesignation

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

### 1.13 Impairment of non-cash-generating assets

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.

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

Useful life is either:

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

Criteria developed by the annual financial statements to distinguish non-cash-generating assets from cash-generating assets are as follow:

- consideration of the manner in which assets are managed to determine whether their asset management practices are consistent with those in the profit-driven private sector;
- intention is to generate positive cash inflows from that asset and earn a return that reflects the risk involved in holding such an asset; and
- service delivery objective.

#### 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.

#### Value in use

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

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

#### Depreciated replacement cost approach

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

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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.

# Steve Tshwete Local Municipality

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

#### Reversal of an impairment loss

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

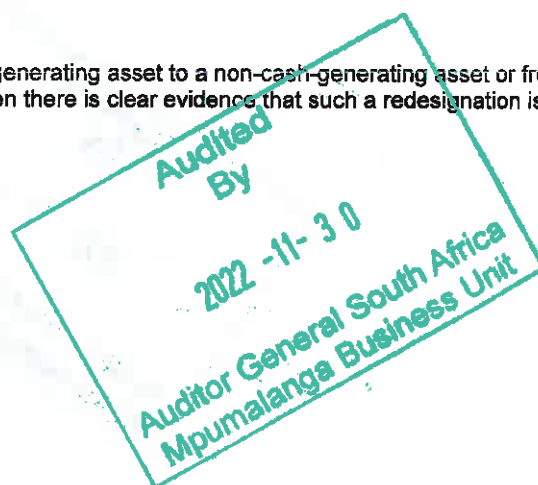
An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable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

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

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

#### Redesignation

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



# Steve Tshwete Local Municipality

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### 1.14 Employee benefits

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

#### Short-term employee benefits

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

Short-term employee benefits include:

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

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

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

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

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

#### Post-employment benefits

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

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

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.

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

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

# Steve Tshwete Local Municipality

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### 1.14 Employee benefits (continued)

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

#### Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- current service cost;

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Annual Financial Statements for the years ended 30 June 2022

## Accounting Policies

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### 1.14 Employee benefits (continued)

- interest cost;
- actuarial gains and losses;
- past service cost;

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

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

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

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

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

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

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

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

### Other long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method to determine the present value of the obligations.

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

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Annual Financial Statements for the years ended 30 June 2022

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### 1.14 Employee benefits (continued)

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

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

- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately;

### Termination benefits

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

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

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

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

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

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

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

### 1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Accounting Policies

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### 1.15 Provisions and contingencies (continued)

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 51.

### Decommissioning, restoration and similar liability

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

Where the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

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

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

### 1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.17 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.



# Steve Tshwete Local Municipality

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### 1.17 Revenue from exchange transactions (continued)

#### 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.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

#### Interest and dividends

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

### 1.18 Revenue from non-exchange transactions

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

#### 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.

# Steve Tshwete Local Municipality

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## Accounting Policies

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

#### Measurement

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

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

#### Property rates

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

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

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

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

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

#### Transfers

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

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

#### Debt forgiveness and assumption of liabilities

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

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

#### 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. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Accounting Policies

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

#### Gifts and donations, including goods in-kind

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

#### Services in-kind

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

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

#### Concessionary loans received

A concessionary loan is a loan granted to or received by the property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, are exchange transactions and are accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

### 1.19 Investment income

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

### 1.20 Borrowing costs

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

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

### 1.21 Accounting by principals and agents

#### Identification

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

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

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

#### Identifying whether an entity is a principal or an agent

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

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

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Accounting Policies

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### 1.21 Accounting by principals and agents (continued)

#### Binding arrangement

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

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

#### Assessing which entity benefits from the transactions with third parties

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

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

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

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

#### Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

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

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

### 1.22 Comparative figures

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

### 1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.24 Fruitless and wasteful expenditure

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

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

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

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### 1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

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

### 1.26 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### 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. The municipality used the combination of a factor whereby Trading Services, Community and Public Services, and Economic and Environmental Services were separately reported and the remaining segments were aggregated and reported as Other segments.

### 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 Budget information

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

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

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

The approved budget covers the fiscal period from 01-July-2021 to 30-June-2022.

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

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### 1.28 Budget information (continued)

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.

### 1.29 Related parties

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

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

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

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

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

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

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

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

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

### 1.30 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 adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

### 1.31 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus when retrospective adjustments are made.

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior years except for the adoption of the following new or revised standards.

- GRAP 18 (as amended 2016): Segment Reporting

### 3. New standards and interpretations

#### 3.1 Standards and interpretations effective and adopted in the current years

In the current years, the municipality has adopted the following standards and interpretations that are effective for the current financial years and that are relevant to its operations:

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

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

#### GRAP 104 (amended): Financial Instruments

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

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

The most significant changes to the Standard affect:

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

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

The municipality expects to adopt the standard for the first time when the Minister sets the effective date.

Objective of this directive: The Board has approved the application of International Financial Reporting Standards (IFRS® Standards) issued by the International Accounting Standards Board (IASB®) for public entities (hereafter referred to as "an entity") that meet the criteria to apply IFRS Standards as outlined in the Directive on The Selection of an Appropriate Reporting Framework by Public Entities (Directive 12).

Entities that apply IFRS Standards and operate in the public sector may need to formulate an accounting policy in the absence of an IFRS Standard that specifically applies to a transaction, other event or condition (hereafter referred to as "formulating an accounting policy") using other sources. When formulating an accounting policy in the absence of an IFRS Standard, the municipality needs to consider its users and their information needs. Users of financial statements prepared using the IFRS Standards are interested in information on the return on their investments, and/or the return of their investments, and to make decisions about providing resources to the municipality.

The objective of this Directive is to explain when, and in what circumstances, an municipality may consider the principles in a Standard of GRAP when formulating such an accounting policy.

It covers: Scope, Formulating an accounting policy in the absence of a specific IFRS® Standard, and Basis for conclusions.

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

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

The effective date of the standard is 01 April 2021.

#### 3.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods but are not relevant to its operations:

##### IGRAP 20: Accounting for Adjustments to Revenue

As per the background to this Interpretation of the Standards of GRAP, there are a number of legislative and regulatory processes that govern how entities levy, charge or calculate revenue, in the public sector. Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

As per the scope, this Interpretation of the Standards of GRAP clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.



# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

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

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- **General improvements:** To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- **IPSASB amendments:** To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

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

The amendments to this Interpretation of the Standard of GRAP clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

A municipality applies judgement based on past experience and current facts and circumstances.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

This Directive was originally issued by the Accounting Standards Board (the Board) in December 2009. Since then, it has been amended by:

- Consequential amendments when the following Standards of GRAP were amended to clarify some of the principles:
  - GRAP 105 Transfer of Functions Between Entities Under Common Control
  - GRAP 107 Mergers
- Consequential amendments arising from GRAP 110 *Living and Non-living Resources* issued in December 2017.
- Consequential amendments arising from the following Standards of GRAP in May 2018:
  - GRAP 34 *Separate Financial Statements*
  - GRAP 35 *Consolidated Financial Statements*
  - GRAP 36 *Investments in Associates and Joint Ventures*
  - GRAP 37 *Joint Arrangements*
  - GRAP 38 *Disclosure of Interests in Other Entities*

The effective date of this Directive coincides with the effective dates of the applicable Standards of GRAP, as determined by the Minister of Finance. If an entity has assets that it previously could not recognise and/or measure in accordance with the Standards of GRAP on their initial adoption on the transfer date or the merger date because information about the acquisition cost of the assets was not available, an entity applies this Directive to those assets. The fair value of those assets is determined at the date of adopting the Standards of GRAP on the transfer date or the merger date in accordance with the Directive's Appendix paragraph A3.

The effective date of this revised directive is for years beginning on or after 01 April 2020.

The municipality expects to adopt the directive for the first time in the 2019/2020 annual financial statements.

### **IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land**

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

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

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

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

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

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2019 annual financial statements.



# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Investment property

	2022		2021			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property - Land	27,508,254	-	27,508,254	26,095,033	-	26,095,033

### Reconciliation of investment property - 2022

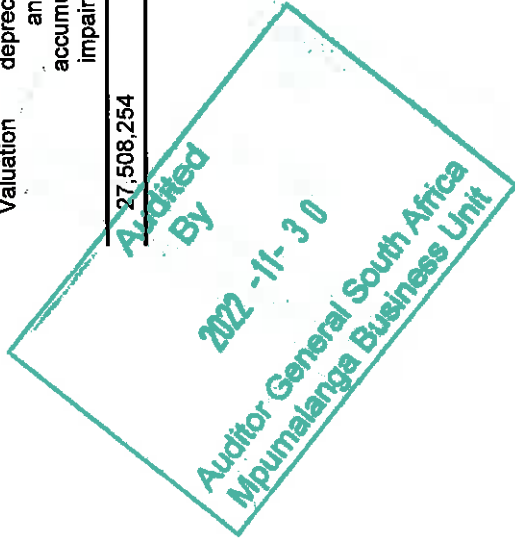
Investment property (Land)

Opening balance	Transfers	Total
26,095,033	1,413,221	27,508,254

### Reconciliation of investment property - 2021

Investment property (Land)

Opening balance	Disposals	Transfers	Total
25,417,439	(484,004)	1,161,598	26,095,033



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.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

#### 4. Investment property (continued)

- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

#### Amounts recognised in surplus or deficit

Rental revenue from Investment property	21,603,865	17,653,529
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## Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand

#### 5. Property, plant and equipment

	2022		2021	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Land	1,255,530,919	-	1,255,530,919	-
Buildings	304,517,119	(133,790,701)	170,726,418	(126,771,718)
Infrastructure	8,485,282,890	(3,251,779,391)	5,233,503,499	(3,098,821,732)
Community	957,999,031	(334,009,313)	623,989,718	(315,087,162)
Other property, plant and equipment	503,254,052	(290,330,456)	487,350,337	(260,797,357)
<b>Total</b>	<b>1,506,584,011</b>	<b>(4,009,909,861)</b>	<b>10,966,819,519</b>	<b>(3,801,477,969)</b>

Audited  
By  
2022-11-30  
Auditor General South Africa  
Mpumalanga Business Unit

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

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

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

	Opening balance	Additions	Donations	Disposals	Transfers	Fair value adjustment	Depreciation	Impairment loss	Total
Land	1,257,462,665	-	-	(518,525)	(1,413,221)	-	-	-	1,255,530,919
Buildings	160,873,267	6,900,319	12,909,841	-	(2,938,027)	-	(6,906,539)	(112,443)	170,726,418
Infrastructure	4,906,314,220	662,810,720	-	(201,327)	(176,995,610)	(5,386,476)	(150,282,180)	(3,172,689)	5,233,503,499
Community	614,138,418	41,380,066	-	(670,836)	(10,055,305)	-	(19,859,039)	(943,586)	623,989,718
Other property, plant and equipment	226,552,980	19,851,476	-	(1,263,834)	(322,582)	-	(31,298,991)	(595,453)	212,923,596
	<b>7,165,341,550</b>	<b>730,942,581</b>	<b>12,909,841</b>	<b>(2,654,522)</b>	<b>(191,724,745)</b>	<b>(5,386,476)</b>	<b>(208,346,749)</b>	<b>(4,824,171)</b>	<b>7,496,674,150</b>

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

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	1,263,109,887	-	-	(202,144,843)	(1,161,597)	(1,040,982)	-	-	1,257,462,665
Buildings	158,992,437	8,942,218	-	(31,595)	-	-	(6,818,239)	(211,554)	160,873,267
Infrastructure	4,492,300,780	545,032,539	40,493,327	(21,790,086)	-	(175,489)	(144,778,860)	(4,767,991)	4,906,314,220
Community	576,775,818	56,994,433	1,195,868	(930,465)	-	933,483	(18,894,014)	(1,671,302)	614,138,418
Other property, plant and equipment	222,076,119	34,886,950	1,195,868	(1,263,834)	(322,582)	145,380	(30,398,083)	(422,789)	226,552,980
	<b>6,713,255,041</b>	<b>645,856,140</b>	<b>41,689,195</b>	<b>(26,196,789)</b>	<b>(1,161,597)</b>	<b>(137,608)</b>	<b>(200,889,196)</b>	<b>(7,073,636)</b>	<b>7,165,341,550</b>

#### Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	298,082,150	27,745,882	4,785,202	330,613,234
Additions/capital expenditure	489,812,781	31,246,501	4,610,395	525,669,677
Transferred to completed projects	(176,995,510)	(10,055,305)	(3,260,609)	(190,311,424)
	<b>610,899,421</b>	<b>48,937,078</b>	<b>6,134,988</b>	<b>665,971,487</b>

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

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

#### Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	255,512,145	14,362,069	4,130,258	274,004,472
Additions/capital expenditure	542,166,502	55,895,754	7,168,224	605,230,480
Transferred to completed projects	(500,488,408)	(41,589,900)	(6,513,281)	(548,591,589)
	<b>297,190,239</b>	<b>28,667,923</b>	<b>4,785,201</b>	<b>330,643,363</b>

#### 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	105,437,383	68,680,941
Inventory Consumed	12,957,541	12,308,632
Operational Costs	12,061,730	1,610,284
Outsourced Services		9,536,713
	<b>130,456,654</b>	<b>92,136,570</b>

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.

**Audited  
By**  
  
**2022 -11- 30**  
  
**Auditor General South Africa  
Mpumalanga Business Unit**



**Steve Tshwete Local Municipality**  
Annual Financial Statements for the years ended 30 June 2022

**Notes to the Annual Financial Statements**

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**6. Intangible assets**

	2022		2021			
	Cost / Valuation	Accumulated amortisation and impairment	Carrying value	Cost / Valuation	Accumulated amortisation and impairment	Carrying value
Computer software	36,693,387	(11,796,398)	24,896,989	24,443,697	(6,783,666)	17,660,031

**Reconciliation of intangible assets - 2022**

Computer software	Opening balance	17,660,031	Additions	11,884,365	Amortisation	(4,647,407)	Total	24,896,989
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**Reconciliation of intangible assets - 2021**

Computer software	Opening balance	9,621,613	Additions	9,214,691	Amortisation	(1,176,273)	Total	17,660,031
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**7. Long term receivables**

**Designated at fair value**

Long term receivables from exchange transactions  
Consumer debtors arrangements on long outstanding debts in accordance with the  
credit control policy

8,172,476      13,455,761

**Non-current assets**

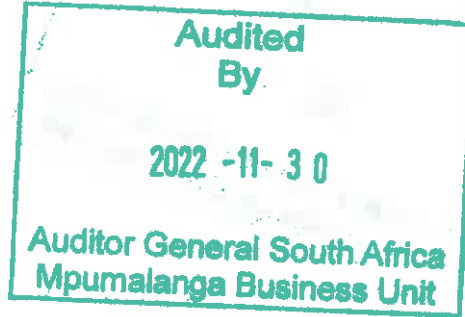
Designated at amortised cost

5,245,692      5,935,860

**Current assets**

Designated at fair value

2,926,784      7,519,901



# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

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<b>8. Operating lease asset</b>		
Current assets	6,384,548	3,468,348
<b>Minimum lease income</b>		
-within one year	16,344,838	11,756,485
-second to fifth year	16,167,733	950,524
-after five years	-	342,637
	<b>32,512,571</b>	<b>13,049,646</b>

1. Izimbiwa Coal Pty Ltd - Lease of Farms in Middleburg. The contract expires on 31 May 2025. The contract escalates annually at 6%

Actual income levied 2021/2022	R 58 698 873
Expected levy income 2022/2023	R 14 795 581
Annual straightlining	R 1 232 965

### 2. Shivtech Solutions CC

The contract expired on 28 February 2024. The contract escalates annually with 6%.

Actual income levied 2021/2022	R 210 648
Expected levy income 2022/2023	R 42 636
Annual straightlining	R 213 181

3. Mpumalanga Valve Services Pty Ltd: Rental of the remainder of Erf 11033 Middelburg for Industry purposes . The contract expires on 31 March 2022. The contract escalates annually with 8%.

Actual income levied 2021/2022	R 469 583
Expected levy income 2022/2023	R -
Annual straightlining	R 469 583

4. Gerrie Gerrits (Pty)Ltd T/A Pienaarsdam Resort: Rental of portions of Farm Vaalbank for riparian purposes. The contract expires on 31 October 2027. The contract escalates annually with 10%.

Actual income levied 2021/2022	R 322 591
Expected levy income 2022/2023	R 100 109
Annual straightlining	R 458 836

5. Alurod Pty Ltd .The contract expires on 31 December 2022. The contract escalates annually with 6%.

Actual income levied 2021/2022	R 157 200
Expected levy income 2022/2023	R 66 100
Annual straightlining	R 165 250

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

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### 9. Employee benefit obligations

#### Defined benefit plan

##### Post retirement medical aid plan

The municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme.

The municipality has a policy to subsidise the medical aid contributions of permanently employed employees who go on retirement, provided they are members of the municipal accredited medical aid schemes. All existing continuation members (pensioners) and their dependents will continue to receive either 60% or 70% subsidy depending on when they retire. This subsidy is subject to the maximum amount of R 4 773.12 (per month per member) for the period 1 July 2021 to 30 June 2022.

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

#### Carrying value

Present value of the defined benefit obligation—partly or wholly funded	(121,705,001)	(115,180,001)
Non-current liabilities	(118,050,001)	(111,674,000)
Current liabilities	(3,655,000)	(3,506,001)
	<b>(121,705,001)</b>	<b>(115,180,001)</b>

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

Opening balance	115,180,000	101,602,000
Net expense recognised in the statement of financial performance	6,525,001	13,578,000
	<b>121,705,001</b>	<b>115,180,000</b>

Net expense recognised in the statement of financial performance

Current service cost	6,470,000	5,350,000
Interest cost	11,585,000	10,625,000
Actuarial (gains) losses	(7,251,698)	1,915,823
Contributions (Benefits paid)	(4,278,301)	(4,312,823)
	<b>6,525,001</b>	<b>13,578,000</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rate	11.85 %	10.21 %
Health care cost inflation rate	8.45 %	6.88 %
Net-of-health-care-cost-inflation discount rate	3.14 %	3.12 %
Maximum subsidy inflation rate	5.96 %	4.79 %
Net-of-maximum-subsidy-inflation discount rate	5.56 %	5.18 %
Average retirement age	62	62
Mortality during employment	85-90	85-90
Proportion with spouse dependant at retirement	60%	60%

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 9. Employee benefit obligations (continued)

#### Other assumptions

Valuation results are sensitive to changes in the underlying assumptions. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	1	1
Effect on defined benefit obligation	1	1

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

	2022	2021	2020	2019	2018
Defined benefit obligation	121,705,001	115,180,000	101,602,000	100,536,446	91,629,886

#### Defined contribution plan

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

The municipality is under no obligation to cover any unfunded benefits.

The amount recognised as an expense for defined contribution plans is

	71,563,352	69,211,517
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### 10. Investments

ABSA Bank	200,000,000	50,000,000
NEDBANK		200,000,000
	<u>200,000,000</u>	<u>250,000,000</u>

Investments are non-derivative financial assets and are classified at cost and held to maturity. Investments will mature within two to six months, therefore cost equates to fair-value.

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**2022 -11- 3 0**  
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**Mpumalanga Business Unit**

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>11. Inventories</b>		
Land	31,875,036	32,111,038
Consumable stores	33,274,717	35,143,563
Water for distribution	1,087,112	1,087,112
Stores, materials and fuels	201,707	223,595
	<b>66,438,572</b>	<b>68,565,308</b>
<b>Inventory pledged as security</b>		
During the year no inventory was pledged as security.		
<b>Water for distribution</b>		
Opening balance	1,087,112	607,507
Movement	-	479,605
Closing balance	<b>1,087,112</b>	<b>1,087,112</b>
<b>Inventory shortages and surpluses</b>		
Inventory shortages written off during the year	(1,379,472)	(164,054)
Inventory surpluses for the year	1,580,560	626,891
	<b>201,088</b>	<b>462,837</b>
<b>12. Other receivables from exchange transactions</b>		
Accrued interest (bank)	1,740,001	1,051,115
Sundry debtors	19,562,039	18,576,400
Less allowance for impairment	(10,833,230)	(10,561,188)
	<b>10,468,810</b>	<b>9,066,327</b>
<b>Included in other receivables from exchange transactions above are the following receivables which are not impaired:</b>		
Accrued interest (bank)	1,885,163	1,302,310
None of other receivables were pledged as security		
<b>Other receivables past due but not impaired</b>		
Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2022 and June 30, 2021 all accounts past due were considered for impairment.		
<b>Other receivables impaired</b>		
As of 30 June 2022, sundry debtors of (R 19 566 039) (2021 : R 18 576 400) were impaired and provided for. The amount of the provision was (R 10 833 230) as of 30 June 2021 (2021 : R 10 561 188)		
The ageing of these sundry debtors is as follows:		
0-3 months	5,888,571	4,390,686
3 to 6 months	729,328	481,824
Over 6 months	12,275,960	13,703,890

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>12. Other receivables from exchange transactions (continued)</b>		
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
Opening balance	(10,561,188)	(15,858,378)
Provision for impairment	(272,042)	5,297,190
	<b>(10,833,230)</b>	<b>(10,561,188)</b>
<b>13. Receivables from non-exchange transactions</b>		
Traffic fines	4,074,540	5,822,403
Property rates	54,255,532	53,545,035
	<b>58,330,072</b>	<b>59,367,438</b>
<b>Age analysis (Traffic Fines)</b>		
Gross balance	54,240,180	54,795,780
Less: Allowance for impairment	(50,165,616)	(48,973,353)
	<b>4,074,564</b>	<b>5,822,427</b>
<b>Age analysis (Property Rates)</b>		
Current (0-30 days)	27,143,666	25,358,315
31- 60 days	5,127,723	4,805,912
61- 90 days	3,928,447	3,456,321
91-120 days	3,549,332	3,040,408
121 - 150 days	3,362,506	2,717,230
> 150 days	63,425,989	49,053,582
Allowance for impairment	(52,282,131)	(34,886,731)
	<b>54,255,532</b>	<b>53,545,037</b>
<b>14. VAT receivable</b>		
VAT	104,383,127	83,691,996
The municipality recognises VAT on the accrual basis and declares it to SARS on a cash basis. All VAT returns have been submitted by the due date through the years.		
<b>15. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	61,805,546	46,426,964
Water	45,475,817	35,967,338
Waste water management	28,771,999	20,879,721
Waste management	27,866,917	20,244,819
Land sale debtors	65,417	75,429
Merchandising, jobbing and contracts	32,682,158	22,690,524
	<b>196,667,854</b>	<b>146,284,795</b>



# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

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### 15. Receivables from exchange transactions (continued)

#### Less: Allowance for impairment

Electricity	(25,343,455)	(16,456,504)
Water	(17,984,645)	(11,336,994)
Waste water management	(12,932,960)	(8,237,145)
Waste management	(12,538,310)	(7,986,673)
Land sale debtors	(40,437)	(29,757)
Merchandising, jobbing and contracts	(14,477,526)	(9,137,609)
	<b>(83,317,333)</b>	<b>(53,184,682)</b>

#### Net balance

Electricity	36,462,091	29,970,460
Water	27,491,172	24,630,344
Waste water management	15,839,039	12,642,576
Waste management	15,328,607	12,258,146
Land sale debtors	24,980	45,672
Merchandising, jobbing and contracts	18,204,632	13,552,915
	<b>113,350,521</b>	<b>93,100,113</b>

#### Electricity

Current (0 -30 days)	33,318,148	26,818,545
31 - 60 days	3,756,547	2,401,911
61 - 90 days	2,092,484	1,249,191
91 - 120 days	1,782,346	893,682
121 - 365 days	1,135,777	825,191
> 365 days	19,720,244	14,238,446
Less Allowance for impairment	<b>(25,343,455)</b>	<b>(16,456,506)</b>
	<b>36,462,091</b>	<b>29,970,460</b>

#### Water

Current (0 -30 days)	13,388,354	14,849,755
31 - 60 days	3,169,276	2,429,047
61 - 90 days	2,173,517	1,541,099
91 - 120 days	1,714,133	1,446,768
121 - 365 days	1,739,419	815,149
> 365 days	23,291,118	14,885,517
Less allowance for impairment	<b>(17,984,645)</b>	<b>(11,336,991)</b>
	<b>27,491,172</b>	<b>24,630,344</b>

#### Waste water

Current (0 -30 days)	6,921,257	7,030,843
31 - 60 days	1,956,752	1,967,004
61 - 90 days	1,473,819	1,163,296
91 - 120 days	1,248,889	718,182
121 - 365 days	1,104,032	594,648
> 365 days	16,067,250	9,405,748
Less allowance for impairment	<b>(12,932,960)</b>	<b>(8,237,145)</b>
	<b>15,839,039</b>	<b>12,642,576</b>



# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>15. Receivables from exchange transactions (continued)</b>		
<b>Waste management</b>		
Current (0 -30 days)	7,204,947	7,516,566
31 - 60 days	1,946,190	1,590,981
61 - 90 days	1,374,838	972,080
91 - 120 days	1,181,440	740,114
121 - 365 days	991,887	633,376
> 365 days	15,167,615	8,791,704
<b>Less allowance for impairment</b>	<b>(12,538,310)</b>	<b>(7,986,675)</b>
	<b>15,328,607</b>	<b>12,258,146</b>
<b>Land sales debtors</b>		
Current (0 -30 days)	3,721	4,303
31 - 60 days	271	28
61 - 90 days	31	28
91 - 120 days	29	28
121 - 365 days	29	28
> 365 days	61,335	71,014
<b>Less allowance for impairment</b>	<b>(40,436)</b>	<b>(29,757)</b>
	<b>24,980</b>	<b>45,672</b>
<b>Merchandising, jobbing and contracts</b>		
Current (0 -30 days)	1,275,771	2,439,841
31 - 60 days	355,932	780,502
61 - 90 days	2,873,650	1,103,149
91 - 120 days	1,303,726	1,129,264
121 - 365 days	453,461	385,538
> 365 days	26,419,618	17,323,947
<b>Less allowance for impairment</b>	<b>(14,477,526)</b>	<b>(9,609,326)</b>
	<b>18,204,632</b>	<b>13,552,915</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(53,184,682)	(137,231,058)
Movement for the year	(30,117,803)	84,046,376
	<b>(83,302,485)</b>	<b>(53,184,682)</b>
<b>16. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	42,380	42,380
Bank balances	170,575,226	94,523,059
	<b>170,617,606</b>	<b>94,565,439</b>





# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

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### 16. 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 2020	30 June 2022	30 June 2021	30 June 2020
ABSA BANK - Account Type - 10-4000-0077	4,799,535	35,799,406	328,112,287	(56,390,442)	26,150,031	306,617,341
ABSA BANK - Account Type - 40-7830-3563	8,092	1,115,154	10,541,571	3,462,780	4,495,757	13,825,605
ABSA BANK - Account Type - 40-5357-0755	-	-	24,821	-	42,380	42,380
FNB BANK - Account Type - 62-8771-40740	222,915,528	64,190,686	-	223,545,268	63,877,270	-
<b>Total</b>	<b>227,723,155</b>	<b>101,105,246</b>	<b>338,678,679</b>	<b>170,617,606</b>	<b>94,565,438</b>	<b>320,485,326</b>

### 17. Finance lease obligation

#### Minimum lease payments due

- within one year

- 3,518,652

less: future finance charges

- 3,518,652

- (148,819)

#### Present value of minimum lease payments

- 3,369,833

#### Present value of minimum lease payments due

- within one year

- 3,369,833

It is municipality policy to lease photocopiers under finance leases. The municipality entered into a lease agreement with Nashua for 51 machines for a period of 5 years. An effective borrowing rate of 10.5% was used for valuation of finance lease obligation.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 5.

### 18. Long term liabilities

#### At amortised cost

INCA	-	234,227,556
Interest at 9.59 %		
INCA	4,084,548	7,814,026
Interest at 9.29%		
INCA	7,717,396	11,093,562
Interest at 9.02%		
ABSA	101,558,626	110,566,451
Variable interest rate		
ABSA	130,303,905	(89,538,873)
Variable interest rate		
ABSA	178,359,762	186,133,705
Variable interest rate		
NEDBANK	396,612,481	-
	<b>818,636,718</b>	<b>460,296,427</b>
<b>Total other financial liabilities</b>	<b>818,636,718</b>	<b>460,296,427</b>
<b>Non-current liabilities</b>		
At amortised cost	747,865,814	420,361,261

**Steve Tshwete Local Municipality**  
Annual Financial Statements for the years ended 30 June 2022

**Notes to the Annual Financial Statements**

Figures in Rand	2022	2021
<b>18. Long term liabilities (continued)</b>		
<b>Current liabilities</b>		
At amortised cost	70,770,902	39,935,163

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# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

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### 19. Provisions

#### Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Landfill rehabilitation	35,208,161	-	(2,279,884)	32,928,277
Performance bonus	769,692	769,691	-	1,539,383
Church erven	282,826	-	(230,434)	52,392
	<b>36,260,679</b>	<b>769,691</b>	<b>(2,510,318)</b>	<b>34,520,052</b>

#### Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Landfill rehabilitation	21,900,060	13,308,101	-	-	35,208,161
Performance bonus	1,615,821	769,692	(1,615,821)	-	769,692
Church erven	311,142	52,391	-	(80,707)	282,826
	<b>23,827,023</b>	<b>14,130,184</b>	<b>(1,615,821)</b>	<b>(80,707)</b>	<b>36,260,679</b>
Non-current liabilities				32,980,669	35,490,987
Current liabilities				1,539,383	769,692
				<b>34,520,052</b>	<b>36,260,679</b>

#### Landfill rehabilitation

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

Key financial assumptions used in this calculations were a CPI of 6.6085 %, a discount rate of 10.6085 % and therefore a net effective discount rate of 4%.

The 2022 discounted value of the landfill closure provision of R 32 928 277 represents a decrease of R 2 279 884 compared to the provision of R 35 208 161 in the previous financial year. Composition of this change relates to changes in the CPI, discount rate and unit costs. The interest charge relating to the assessment amounts to R 3 106 592.

The landfill closure provision is calculated as the net present value of future cash flows based on the expected remaining life of the landfill site and based on the size of the area that had been used for the waste disposal as at 30 June 2022. The size of the Middleburg landfill site that has already been used for dumping of waste is estimated at 96 221 m<sup>2</sup>. The remaining life of the landfill is estimated at 7 years.

#### Performance bonus

The provision is to provide for the performance bonuses of the Section 57 employees and other senior managers where applicable. The provision is calculated at 14% of the total remuneration in terms of the performance agreements at the reporting date which is usually paid within one year.

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021			
<b>19. Provisions (continued)</b>					
<b>Church erven</b>					
The provision for church erven is for the obligation the municipality has to pay 25% of the purchase price back to the church once the property is fully developed within the period specified on the deed of sale. The provision is evaluated at year-end to reflect the best estimate at the reporting date.					
<b>20. Long service awards</b>					
Long service awards in the form of a number of leave days once an employee has completed a certain number of years in service. The valuation was performed in line with GRAP 25 Employee benefits by an Independent Actuaries and Consultants as at 30 June 2022.					
<b>Changes in the present value of the long service liability is</b>					
Opening balance	28,453,000	25,768,000			
Current service cost	2,962,000	2,761,000			
Interest cost	2,499,000	1,872,000			
Benefits vested	(3,536,000)	(1,971,000)			
Acturial (gain)/loss	326,000	23,000			
	<b>30,704,000</b>	<b>28,453,000</b>			
Current liability	4,379,000	3,536,000			
Non-current liability	26,325,000	24,917,000			
	<b>30,704,000</b>	<b>28,453,000</b>			
Long service award liability	2022 30,704,000	2021 28,453,000	2020 25,768,000	2019 24,226,288	2018 20,289,590
<b>Assumptions used at the reporting date</b>					
Discount rate	11.12%	9.35%			
Normal salary increase rate	7.30%	5.81%			
Net discount rate	3.56%	3.35%			
<b>21. Payables from exchange transactions</b>					
Payables and accruals	213,830,720	188,986,660			
Pre-paid meter sales in advance	4,011,637	5,464,154			
Consumer receivables paid in advance	34,250,689	20,415,200			
Sundry receivables paid in advance	669,510	717,563			
Staff leave	74,105,620	61,004,319			
Retentions payable	100,888,897	79,135,412			
Third party pre-paid sales in advance	13,964,923	9,737,438			
Unallocated deposits	25,658,200	20,189,524			
	<b>467,380,196</b>	<b>385,650,270</b>			
<b>22. Payables from non-exchange transactions</b>					
GIZ:Small Medium and Micro Enterprises	-	1,165,138			
The Local Government Sector Education and Training Authority	301,644	199,794			
Mpumalanga AGRISETA	69,480	69,480			
	<b>371,124</b>	<b>1,434,412</b>			



# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>23. Consumer deposits</b>		
Electricity and Water	86,885,472	74,376,806
Sundry	3,419,721	2,754,558
	<b>90,305,193</b>	<b>77,131,364</b>

No interest is paid on deposits.

Guarantees held in lieu of electricity and water deposits for 2022 : R 6 997 434 (2021: R 6 997 434). Deposits consists of consumer deposits for water and electricity, contractor deposits (Wayleave), Rental of facilities and unallocated deposits.

### 24. Revenue

Rendering of services	14,839,094	8,283,087
Service charges	1,016,057,551	962,464,630
Rental of facilities and equipment	21,603,865	17,653,529
Interest received (trading)	4,379,476	3,296,884
Agency services	25,808,104	31,009,887
Licences and permits	5,786,786	6,978,479
Other income - (rollup)	18,245,046	50,638,307
Interest received - investment	19,729,235	19,906,215
Property rates	445,311,483	428,628,643
Interest, Dividends and Rent on Land	4,111,880	3,084,575
Government grants & subsidies	440,978,887	422,470,902
Public contributions and donations	12,909,841	41,921,336
Fines, Penalties and Forfeits	17,991,283	36,174,618
	<b>2,047,752,531</b>	<b>2,032,511,092</b>



The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	1,016,057,551	962,464,630
Rendering of services	14,839,094	8,283,087
Rental of facilities and equipment	21,603,865	17,653,529
Interest received (trading)	4,379,476	3,296,884
Agency services	25,808,104	31,009,887
Licences and permits	5,786,786	6,978,479
Other income - (rollup)	18,245,046	50,638,307
Interest received - investment	19,729,235	19,906,215
	<b>1,126,449,157</b>	<b>1,100,231,018</b>

The amount included in revenue arising from non-exchange transactions is as follows:

<b>Taxation revenue</b>		
Property rates	445,311,483	428,628,643
Interest, Dividends and Rent on Land	4,111,880	3,084,575
<b>Transfer revenue</b>		
Government grants & subsidies	440,978,887	422,470,902
Public contributions and donations	12,909,841	41,921,336
Fines, Penalties and Forfeits	17,991,283	36,174,618
	<b>921,303,374</b>	<b>932,280,074</b>

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>25. Service charges</b>		
Sale of electricity	727,524,516	667,286,248
Sale of water	100,797,159	104,967,492
Sewerage and sanitation charges	87,863,264	90,128,536
Refuse removal	99,872,612	100,082,354
	<b>1,016,057,551</b>	<b>962,464,630</b>
<b>26. Rental of facilities and equipment</b>		
<b>Premises</b>		
Ad-hoc rentals	1,234,294	1,231,185
<b>Garages and parking</b>		
Land : Undeveloped land	4,163,190	4,219,762
<b>Facilities and equipment</b>		
Surface Rental : Mining	16,206,381	12,202,582
	<b>21,603,865</b>	<b>17,653,529</b>
<b>27. Fines, Penalties and Forfeits</b>		
Traffic fines	17,541,283	23,641,691
Law Enforcement Fines	449,000	12,516,518
Other fines	1,000	16,409
	<b>17,991,283</b>	<b>36,174,618</b>
<b>28. Income from agency services</b>		
Vehicle Registration	25,808,104	31,009,887
<p>The municipality has contractual arrangement with the Department of Community, Safety and Liason Mpumalanga (principal) for the motor vehicles registrations on an 80/20 commission basis. No risks or rewards in relation to the assets , expenditures and payables in terms of this agreement are applicable to the municipality.</p> <p>The remittance of 80 percent of the revenues collected in terms of rendering the services on behalf of the principal occurs on a monthly basis and any unpaid amounts at the end of the financial year are reflected as payables on the statement of financial position.</p>		
<b>29. Licences and permits (exchange)</b>		
Health Certificates	-	1,435
Traiding	127,142	231,192
Road and Transport	5,659,644	6,745,852
	<b>5,786,786</b>	<b>6,978,479</b>
<b>30. Interest received</b>		
Interest from non-exchange receivables	4,111,880	3,084,575
Interest from exchange receivables	4,379,476	3,296,884
	<b>8,491,356</b>	<b>6,381,459</b>



# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>31. Operating Income</b>		
Incidental cash surpluses	30,304	642,412
Sale of erven	12,324,972	32,432,951
Breakages and losses recovered	111,221	35,444
Registration fee	298,878	271,495
Insurance claims	77,850	8,472,346
Administration fees	965,914	1,580,580
Request information	147,037	189,733
Skills development fund refund	-	2,663
Collection charges	203,996	627,717
Commission	2,912,960	2,869,002
Recoveries	2,066	16,486
Reversal of impairment	-	1,717,576
Staff recoveries	54,315	117,228
Merchandising, jobbing and contracts	1,115,533	1,662,674
	<b>18,245,046</b>	<b>50,638,307</b>
<b>32. Investment revenue</b>		
Interest revenue		
Short term investments	7,790,131	12,484,081
Bank	11,939,104	7,422,134
	<b>19,729,235</b>	<b>19,906,215</b>

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# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>33. Property rates</b>		
<b>Rates received</b>		
Residential	264,285,027	255,903,278
Commercial	100,334,196	94,910,799
Government	15,615,390	15,111,061
Privately owned towns	503,436	864,407
Farm properties	5,235,627	4,499,442
Mining	2,339,286	2,255,140
Industrial	87,670,465	84,299,620
Multiple purpose	11,386,569	10,656,146
Other categories	7,149,597	6,874,055
Less: Income forgone	(49,208,110)	(46,745,305)
	<b>445,311,483</b>	<b>428,628,643</b>
<b>Valuations</b>		
Public benefit organisations	403,428,000	89,567,000
Commercial	3,017,849,000	6,223,332,900
Government	4,441,566,900	1,137,710,000
Privately owned towns	86,526,002	60,257,000
Farm properties	3,074,555,500	3,078,054,500
Mining properties	84,317,000	84,317,000
Industrial properties	3,445,839,000	3,432,719,000
Multi purposes	875,968,170	873,088,170
Other categories	359,746,360	403,129,000
Residential	!3,608,791,000	!3,194,256,000
	<b>!9,398,586,932</b>	<b>!8,576,430,570</b>



Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 1 (2021 : R 1) is applied to property valuations to determine assessment rates.

### 34. Transfers and subsidies paid

<b>Other subsidies</b>		
Tourism centre	249,244	472,500
Bereavement assistance employee	1,965,043	474,839
Society for the prevention of cruelty for animals (SPCA)	1,000,000	997,500
SMME Development (National Empowerment Fund)	20,000,000	-
Business linkage centre	78,875	157,500
Rotary, schools and other	-	240,000
	<b>23,293,162</b>	<b>2,342,339</b>



# Steve Tshwete Local Municipality

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### 35. Transfers and subsidies

#### Operating grants

Equitable share	242,978,000	257,459,001
Finance management grant	1,650,000	1,700,000
Expanded public works programme	4,590,000	4,545,000
Provincial Departmental Agencies: Mpumalanga Agriculture	250,000	-
Integrated Urban Development Grant (IUDG)	3,008,720	3,717,500
Local Government Sector and Education Authority	-	438,100
Foreign Government and International Organisations : Unspecified GIZ	2,542,887	-
	<b>255,019,607</b>	<b>267,859,601</b>

#### Capital grants

Integrated national electrification grant (INEP)	13,750,000	5,000,000
Regional Bulk Infrastructure Grant (RBIG)	45,000,000	35,839,000
Integrated Urban Development Grant (IUDG)	72,209,280	88,076,500
Foreign Government and International Organisations : Unspecified GIZ	-	695,801
Water Services Infrastructure Grant	55,000,000	25,000,000
	<b>185,959,280</b>	<b>154,611,301</b>
	<b>440,978,887</b>	<b>422,470,902</b>

#### Equitable Share

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

#### Current year receipts

242,978,000 257,459,001

#### Integrated Urban Development Grant (IUDG)

Current-year receipts	75,218,000	91,794,000
Conditions met - transferred to revenue	(75,218,000)	(91,794,000)
	-	-

#### National Government: Local Government Finance Management Grant (FMG)

Current-year receipts	1,650,000	1,700,000
Conditions met - transferred to revenue	(1,650,000)	(1,700,000)
	-	-

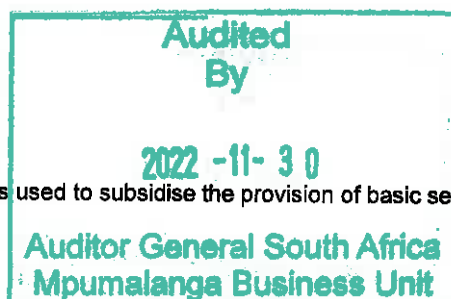
#### Water Services Infrastructure Grant

Current-year receipts	55,000,000	25,000,000
Conditions met - transferred to revenue	(55,000,000)	(25,000,000)
	-	-

#### Integrated national electrification programme grant (INEP)

Current-year receipts	13,750,000	5,000,000
Conditions met - transferred to revenue	(13,750,000)	(5,000,000)
	-	-

#### Local Government Sector and Education Authority



# Steve Tshwete Local Municipality

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Figures in Rand	2022	2021
<b>35. Transfers and subsidies (continued)</b>		
Current-year receipts	101,850	438,100
Conditions met - transferred to revenue	(101,850)	(438,100)
	-	-
<b>Regional Bulk Infrastructure Grant (RBIG)</b>		
Current-year receipts	45,000,000	35,839,000
Conditions met - transferred to revenue	(45,000,000)	(35,839,000)
	-	-
<b>Expanded public works programme (EPWP)</b>		
Current-year receipts	4,590,000	4,545,000
Conditions met - transferred to revenue	(4,590,000)	(4,545,000)
	-	-
<b>36. Public contributions and donations</b>		
Provincial Government	-	174,068
District Municipality	-	40,493,327
Private Enterprises	12,909,841	1,253,941
	<b>12,909,841</b>	<b>41,921,336</b>

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# Steve Tshwete Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>37. Employee related costs</b>		
Salaries	373,699,109	343,938,449
Acting and scarcity allowance	7,272,897	6,515,876
Bonus	29,530,602	27,360,859
Medical aid - company contributions	35,567,543	33,933,785
Unemployment insurance fund contributions	3,008,042	2,794,041
Leave pay provision charge	16,888,264	18,016,432
Pension fund contributions	70,169,222	67,580,724
Overtime and standby allowances	97,124,816	103,952,505
Travel and motor vehicle allowances	19,262,333	18,358,439
Housing benefits and allowances	2,171,375	2,162,049
Group insurance	2,778,664	2,514,266
Cellphone allowance	1,009,800	1,031,767
Employee benefits	22,319,033	21,698,009
	<b>680,801,700</b>	<b>649,857,201</b>
<b>Municipal Manager: B Khenisa</b>		
Annual Remuneration	959,229	1,185,347
Performance Bonuses	90,000	254,349
Contributions to UIF, Medical and Pension Funds	1,594	1,813
Other	-	120,000
	<b>1,050,823</b>	<b>1,561,509</b>
<b>Acting Executive Director Community Services: A Masia</b>		
Acting Allowance	22,536	-
<b>Executive Director Financial Services: E Wassermann</b>		
Contributions to UIF, Medical and Pension Funds	-	102,488
<b>Executive Director Financial Services : David Mogofe</b>		
Annual salary	741,615	553,361
Performance Bonuses	-	59,101
Contributions to UIF, Medical and Pension Funds	195,591	149,465
Travel allowance	120,000	90,000
	<b>1,057,206</b>	<b>851,927</b>
<b>Executive Director Infrastructure Services: A Ntuli</b>		
Annual Remuneration	-	300,188
Car Allowance	-	54,029
Performance Bonuses	-	82,649
Contributions to UIF, Medical and Pension Funds	-	33,056
	-	<b>469,922</b>
<b>Executive Director Corporate Services: M Khumalo</b>		
Annual Remuneration	841,025	823,909
Car Allowance	144,000	144,000
Performance Bonuses	-	84,546
Contributions to UIF, Medical and Pension Funds	65,703	76,672
	<b>1,050,728</b>	<b>1,129,127</b>



# Steve Tshwete Local Municipality

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Figures in Rand	2022	2021
<b>37. Employee related costs (continued)</b>		
<b>Executive Director Community Services: T Zulu</b>		
Annual Remuneration	536,561	487,755
Car Allowance	336,000	336,000
Performance Bonuses	-	68,874
Contributions to UIF, Medical and Pension Funds	188,892	180,440
	<b>1,061,453</b>	<b>1,073,069</b>
<b>Executive Director Infrastructure Services: R Makgata</b>		
Annual Remuneration	605,810	100,387
Car Allowance	300,000	50,000
Contributions to UIF, Medical and Pension Funds	130,181	25,786
	<b>1,035,991</b>	<b>176,173</b>
<b>Acting Executive Director Infrastructure Services : L G Silolo</b>		
Annual Remuneration	-	19,783
<b>Acting Executive Director Infrastructure Services : N C Gubevu</b>		
Annual Remuneration	-	24,807
<b>38. Remuneration of councillors</b>		
Executive Mayor	1,096,578	867,881
Chief whip	842,076	714,788
Mayoral Committee Members	3,875,178	4,112,486
Speaker	866,930	759,479
Other Councillors	20,341,526	16,746,470
	<b>27,022,288</b>	<b>23,201,104</b>
<b>In-kind benefits</b>		
<p>The Executive Mayor, Chief Whip, Speaker, Mayoral Committee members and the MPAC chairperson are full-time. Each is provided with an office and secretarial support at the cost of the council. The Executive Mayor has use of a council owned vehicle and driver for official duties. The executive mayor has a personal assistant to assist him in his duties.</p>		
<b>Council remuneration is made up of the following</b>		
Office Bearer Allowance	19,882,204	15,676,048
Cellphone and other allowances	2,571,029	2,551,444
Motor vehicle allowance	2,557,722	2,758,469
Medical aid contributions	512,211	500,525
Pension fund contributions	1,499,123	1,714,616
	<b>27,022,289</b>	<b>23,201,102</b>

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# Steve Tshwete Local Municipality

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### 38. Remuneration of councillors (continued)

Salary, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution.

#### 2021

	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Executive Mayor - BJ Tolo	528,861	-	-	-	26,270	555,131
Executive Mayor - DJ Motsepe	185,806	74,488	26,874	10,783	14,800	312,751
Speaker - AM Mabena	441,153	178,770	63,654	31,502	44,400	759,479
Chief Whip - SD Nkadimeng	411,908	167,597	59,381	31,502	44,400	714,788
	<b>1,567,728</b>	<b>420,855</b>	<b>149,909</b>	<b>73,787</b>	<b>129,870</b>	<b>2,342,149</b>

#### Mayoral committee

	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr MI Kgalema	419,666	160,331	61,018	-	44,400	685,415
Cllr NC Mkhuma	392,889	160,331	56,293	31,502	44,400	685,415
Cllr DJ Motsepe	255,637	104,465	36,508	20,942	29,600	447,152
Cllr J Matshiane	399,557	160,331	57,469	23,657	44,400	685,414
Cllr TE Mnguni	392,889	160,331	56,293	31,502	44,400	685,415
Cllr SM Malepeng	419,666	160,331	61,018	-	44,400	685,415
Cllr MJ Sekgwele	194,971	-	28,491	-	14,800	238,262
	<b>2,475,275</b>	<b>906,120</b>	<b>357,090</b>	<b>107,603</b>	<b>266,400</b>	<b>4,112,488</b>

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# Steve Tshwete Local Municipality

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### 38. Remuneration of councillors (continued)

Part time councillors	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr T P Mnisi	246,804	-	36,066	-	44,400	327,270
Cllr A B Marumo	282,870	-	-	-	44,400	327,270
Cllr GHE Romijn	212,152	70,718	-	-	44,400	327,270
Cllr MN Mathibela	246,804	-	36,066	-	44,400	327,270
Cllr T S Motloung	246,804	-	36,066	-	44,400	327,270
Cllr N M Hadebe	185,103	70,718	27,049	-	44,400	327,270
Cllr L K Mahlangu	234,293	-	33,858	14,719	44,400	327,270
Cllr D D Klopper	212,152	70,718	-	-	44,400	327,270
Cllr E Du Toit	185,103	70,718	27,049	-	44,400	327,270
Cllr J P Pretorius	185,103	70,718	27,049	-	44,400	327,270
Cllr DJ Skhosana	246,804	-	36,066	-	44,400	327,270
Cllr R G Mamogale	230,146	-	33,126	19,598	44,400	327,270
Cllr D L Paul	246,804	-	36,066	-	44,400	327,270
Cllr K P J Uys	20,567	-	3,005	-	3,700	27,272
Cllr AS Grobler	185,103	70,718	27,049	-	44,400	327,270
Cllr T E Motsepe	228,871	-	32,901	21,098	44,400	327,270
Cllr J Skosana	282,870	-	-	-	44,400	327,270
Cllr H F Niemann	185,103	70,718	27,049	-	44,400	327,270
Cllr A O Thabatha	246,804	-	36,066	-	44,400	327,270
Cllr S J Roos	212,152	70,718	-	-	44,400	327,270
Cllr D A Stuurman	282,870	-	-	-	44,400	327,270
Cllr E M Bruiners	282,870	-	-	-	44,400	327,270
Cllr A Struwig	240,439	42,431	-	-	44,400	327,270
Cllr L J N Zondo	223,047	-	31,874	27,949	44,400	327,270
Cllr H G De Klerk	193,282	70,718	-	18,870	44,400	327,270
Cllr T P Motau	115,689	44,198	18,033	-	27,750	205,670
Cllr S Wait	212,152	70,718	-	-	44,400	327,270
Cllr K J Phasha	246,804	-	36,066	-	44,400	327,270
Cllr A M Mahlangu	246,804	-	36,066	-	44,400	327,270
Cllr J Dyason	212,152	70,718	-	-	44,400	327,270
Cllr P V Malinga	165,114	70,718	23,372	24,519	44,400	328,123
Cllr S M Mogola	259,213	-	-	23,657	44,400	327,270
Cllr L C Masemula	282,870	-	-	-	44,400	327,270
Cllr M C Mosoma	185,103	70,718	27,049	-	44,400	327,270
Cllr N J Mthombeni	185,103	70,718	27,049	-	44,400	327,270
Cllr M M Skhosana	246,804	-	36,066	-	44,400	327,270
Cllr E Sebesho	185,103	70,718	27,049	-	44,400	327,270
Cllr P Mobango	172,806	70,718	-	39,346	44,400	327,270
Cllr J P Duvenage	185,103	70,718	27,049	-	44,400	327,270
Cllr A Mangcotywa	246,804	-	36,066	-	44,400	327,270
Cllr MF Mashaba	244,754	-	36,066	-	44,130	324,950
Cllr CS Mashiloa	27,993	-	2,761	1,633	5,286	37,673
Cllr J Mentz	207,727	-	30,055	-	37,370	275,152
Cllr BP Ndala	82,268	-	12,022	-	14,800	109,090
	<b>9,255,286</b>	<b>1,288,835</b>	<b>861,174</b>	<b>191,389</b>	<b>1,820,236</b>	<b>13,416,920</b>

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# Steve Tshwete Local Municipality

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### 38. Remuneration of councillors (continued)

#### Chairpersons

	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr R M Xaba	344,194	142,668	51,641	35,995	38,938	613,436
Cllr T R Vilakazi	316,732	-	46,285	-	44,400	407,417
Cllr P M Masilela	296,624	-	42,736	23,657	44,400	407,417
Cllr T N Morufane	316,732	-	46,285	-	44,400	407,417
Cllr M Masina	316,732	-	46,285	-	44,400	407,417
Cllr M Mphego	292,476	-	42,004	28,537	44,400	407,417
Cllr M J Sekgwele	211,155	-	30,856	-	29,600	271,611
Cllr J M Mitchell	283,108	-	40,351	39,558	44,400	407,417
	<b>2,377,753</b>	<b>142,668</b>	<b>346,443</b>	<b>127,747</b>	<b>334,938</b>	<b>3,329,549</b>

#### 2022

	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Executive Mayor Cllr P M Masilela	545,701	-	79,239	14,523	25,900	665,363
Executive Mayor DJ Motsepe	244,147	92,443	26,874	10,783	15,809	390,056
Speaker A M Mabena	193,526	73,955	21,183	10,731	15,809	315,207
Speaker T R Mpye	519,518	-	-	3,486	28,719	551,723
Chief Whip S D Nkadimeng	180,863	69,332	19,759	10,731	15,809	296,494
Chief Whip C S Mashiloane	408,871	-	59,884	11,852	25,900	506,507
	<b>2,092,629</b>	<b>235,730</b>	<b>206,939</b>	<b>62,106</b>	<b>127,946</b>	<b>2,725,350</b>

#### Mayoral committee

	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr J Matshiane	183,134	69,332	20,160	8,059	15,809	296,494
Cllr MTE Mnguni	180,863	69,332	19,759	10,731	15,809	296,494
Cllr M I Kgalema	189,984	69,332	21,369	-	15,809	296,494
Cllr S M Malepeng	189,984	69,332	21,369	-	15,809	296,494
Cllr MC Mkhuma	180,863	69,332	19,759	10,731	15,809	296,494
Cllr MC Mphego	530,939	-	80,246	30,477	44,400	686,062
Cllr CB Shabangu	417,180	-	55,875	16,850	28,719	518,624
Cllr MG Maseko	320,694	122,476	35,923	10,813	28,719	518,625
Cllr GNB Mathibela	419,111	-	56,216	14,579	28,719	518,625
Cllr MJ Sekgwele	661,554	-	100,119	-	44,400	806,073
Cllr LE Nkwana	433,987	-	39,492	17,258	28,719	519,456
	<b>3,708,293</b>	<b>469,136</b>	<b>470,287</b>	<b>119,498</b>	<b>282,721</b>	<b>5,049,935</b>

# Steve Tshwete Local Municipality

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### 38. Remuneration of councillors (continued)

Part time councillors	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr GHE Romijn	123,756	41,252	-	-	25,900	190,908
Cllr E M Bruiners	165,008	-	-	-	25,900	190,908
Cllr H G De Klerk	112,293	41,252	-	11,463	25,900	190,908
Cllr S Wait	123,756	41,252	-	-	25,900	190,908
Cllr J Dyason	121,501	41,252	2,254	-	25,900	190,907
Cllr S M Mogola	150,834	-	-	14,173	25,900	190,907
Cllr P Mobango	100,183	41,252	-	23,572	25,900	190,907
Cllr H F Niemann	82,597	31,556	14,202	-	18,500	146,855
Cllr CS Mashiloane	103,578	-	17,920	8,166	18,500	148,164
Cllr T P Mnisi	106,885	-	12,022	-	15,809	134,716
Cllr MN Mathibela	106,885	-	12,022	-	15,809	134,716
Cllr T S Motloung	106,885	-	12,022	-	15,809	134,716
Cllr N M Hadebe	80,164	29,255	9,016	-	15,809	134,244
Cllr L K Mahlangu	98,545	-	10,550	9,812	15,809	134,716
Cllr BP Ndala	106,885	-	12,022	-	15,809	134,716
Cllr MF Mashaba	106,885	-	12,022	-	15,809	134,716
Cllr AV Mathibela	75,137	-	6,011	-	10,677	91,825
Cllr E Du Toit	80,164	29,255	9,016	-	15,809	134,244
Cllr DJ Skhosana	106,885	-	12,022	-	15,809	134,716
Cllr R G Mamogale	101,332	-	11,042	6,533	15,809	134,716
Cllr D L Paul	106,885	-	12,022	-	15,809	134,716
Cllr T E Motsepe	92,539	-	9,490	16,878	15,809	134,716
Cllr S J Roos	87,764	29,255	-	-	15,809	132,828
Cllr K J Phasha	106,885	-	12,022	-	15,809	134,716
Cllr A M Mahlangu	106,885	-	12,022	-	15,809	134,716
Cllr L C Masemula	117,019	-	-	-	15,809	132,828
Cllr M C Mosoma	80,164	29,255	9,016	-	15,809	134,244
Cllr M M Skhosana	106,885	-	12,022	-	15,809	134,716
Cllr E Sebesho	80,164	29,255	9,016	-	15,809	134,244
Cllr J P Duvenage	80,164	29,255	9,016	-	15,809	134,244
Cllr A Mangcotywa	106,885	-	12,022	-	15,809	134,716
Cllr D D Klopper	248,501	82,834	-	-	44,400	375,735
Cllr ST Mathunyane	159,751	53,250	-	-	28,719	241,720
Cllr A Chego	213,001	-	-	-	28,719	241,720
Cllr J Mentz	289,090	-	42,245	-	44,400	375,735
Cllr BC Mashabela	198,919	-	14,082	-	28,719	241,720
Cllr OA Cossa	213,001	-	-	-	28,719	241,720
Cllr CM Soko	162,900	-	24,643	-	25,195	212,738
Cllr LS Qoka	188,686	-	-	24,315	28,719	241,720
Cllr EP Mahlangu	213,001	-	-	-	28,719	241,720
Cllr P Malinga	159,751	53,250	-	-	28,719	241,720
Cllr ZJ Ngubeni	159,751	53,250	-	-	28,719	241,720
Cllr DJ Van Der Merwe	159,751	53,250	-	-	28,719	241,720
Cllr N Bottoman	213,001	-	-	-	28,719	241,720
Cllr MJ Mapheto	173,079	53,250	-	-	28,719	255,048
Cllr TN Tshoane	213,001	-	-	-	28,719	241,720
Cllr MP Mogola	188,095	-	3,658	28,673	28,719	249,145
Cllr CJ Wolmarans	159,751	53,250	-	-	28,719	241,720
Cllr NZ O Motla	159,751	53,250	-	-	28,719	241,720
Cllr J Segage	213,001	-	-	-	28,719	241,720
Cllr BH Mokoena	159,751	53,250	-	-	28,719	241,720
Cllr H Pilodia	159,751	53,250	-	-	28,719	241,720
Cllr JC Haarhoff	185,843	-	28,163	-	28,719	242,725
Cllr J P Pretorius	216,817	82,834	31,684	-	44,400	375,735
Cllr AS Grobler	216,817	82,834	31,684	-	44,400	375,735
Cllr J Skosana	331,335	-	-	-	44,400	375,735

Audited By  
 2022-11-30  
 General South Africa  
 Natal Business Unit



# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand			2022			2021
<b>38. Remuneration of councillors (continued)</b>						
Cllr A O Thabatha	282,381	-	41,061	7,893	44,400	375,735
Cllr D A Stuurman	331,335	-	-	-	44,400	375,735
Cllr A Struwig	281,635	49,700	-	-	44,400	375,735
Cllr L J N Zondo	264,816	-	37,962	28,557	44,400	375,735
Cllr P V Malinga	174,328	82,834	24,346	48,920	44,400	374,828
Cllr ME Nyambi	195,399	-	17,602	-	28,719	241,720
Cllr MG Amigo	176,627	-	17,603	23,464	28,719	246,413
Cllr ML Shabangu	195,399	-	17,602	-	28,719	241,720
Cllr WM M Phetla	146,285	46,347	21,123	-	28,719	242,474
Cllr I Mahlangu	159,751	53,250	-	-	28,719	241,720
Cllr JM Shongwe	205,960	-	7,041	-	28,719	241,720
Cllr LN Sibanda	198,919	-	14,082	-	28,719	241,720
Cllr PE Williams	198,919	-	14,082	-	28,719	241,720
Cllr JF Sithole	177,340	-	11,346	18,236	28,719	235,641
Cllr SW Zulu	213,001	-	-	-	28,719	241,720
Cllr N J Mthombeni	216,817	82,834	31,684	-	44,400	375,735
	<b>11,607,405</b>	<b>1,456,063</b>	<b>680,484</b>	<b>270,655</b>	<b>1,907,412</b>	<b>15,922,019</b>

### Chairpersons

	Annual remuneration	Travel allowance	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr TR Vilakazi	137,170	-	15,428	-	15,809	168,407
Cllr TN Morufane	137,170	-	15,428	-	15,809	168,407
Cllr M Masina	137,170	-	15,428	-	15,809	168,407
Cllr J M Mitchell	125,716	-	13,407	13,475	15,809	168,407
Cllr P M Masilela	129,697	-	18,693	10,074	18,500	176,964
Cllr GHE Romijn	168,067	56,022	-	-	18,500	242,589
Cllr EM Bruiners	224,089	-	-	-	18,500	242,589
Cllr HG De Klerk	159,398	56,022	-	8,639	18,500	242,559
Cllr S Wait	168,067	56,022	-	-	18,500	242,589
Cllr J Dyason	148,384	56,022	18,376	-	18,500	240,982
Cllr SM Mogola	213,848	-	-	10,424	18,500	242,570
Cllr P Mobango	150,696	56,022	-	17,338	18,500	242,556
Cllr HF Niemann	305,408	116,679	44,951	-	25,900	492,938
Cllr AB Marumo	269,195	-	-	-	15,809	285,004
	<b>2,473,873</b>	<b>396,789</b>	<b>141,411</b>	<b>59,950</b>	<b>252,945</b>	<b>3,324,968</b>

### 39. Depreciation and amortisation

Property, plant and equipment	208,346,753	200,889,200
Intangible assets	4,647,407	1,176,274
	<b>212,994,160</b>	<b>202,065,474</b>

### 40. Impairment of assets

#### Impairments

Property, plant and equipment	5,025,498	7,010,946
During the year assets identified which is no longer in use were impaired. These assets remaining service potential and/or future economic benefits are estimated to be R0 or an immaterial amount.		
Trade and other receivables	48,708,947	(8,728,522)
Accounts receivables with the following indicators were assessed for impairment. Receivable in liquidation/sequestration, last payment received was over 60 days from the reporting date, receivable has been handed over for debt collection, account has been indicated as inactive, bad debt or have an arrangement or the receivable has a balance of 90 days and long outstanding.]		
	<b>53,734,445</b>	<b>(1,717,576)</b>

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>41. Finance costs</b>		
Long term liabilities: annuity loans	55,906,017	33,378,777
Finance leases	135,750	616,063
Landfill rehabilitation provision	3,106,592	1,763,108
Long service award liability: actuarial valuation	2,499,000	1,872,000
	<b>61,647,359</b>	<b>37,629,948</b>

The interest expenses are calculated using the effective interest rate on borrowings. The interest rate vary between 6% and 10.57% (2021 : 6% and 10%).

### 42. Bulk purchases

Electricity - Eskom	622,993,689	547,004,292
Water	-	5,027,708
	<b>622,993,689</b>	<b>552,032,000</b>

### Distribution losses

Electricity	9.01%	7.03%
Water	27.65%	21.36%

### Electricity losses

	Units 2022	Units 2021	R	R
Units purchased	449,972,514	469,438,820	484,008,066	662,343,557
Units sold	(409,440,973)	(436,418,393)	(440,398,939)	(615,754,170)
<b>Total loss</b>	<b>40,531,541</b>	<b>33,020,427</b>	<b>43,609,127</b>	<b>46,589,387</b>

### Water losses

	Units 2022	Units 2021	R	R
Units pumped	18,102,216	18,784,931	81,158,666	34,422,560
Units sold	(13,097,817)	(14,772,780)	(59,245,826)	(27,070,469)
<b>Total</b>	<b>5,004,399</b>	<b>4,012,151</b>	<b>21,912,840</b>	<b>7,352,091</b>

### 43. Contracted services

#### Presented previously

Outsourced services	51,082,898	54,755,791
Consultants and professional services	35,818,119	35,287,635
Contractors	151,686,295	110,470,567
	<b>238,587,312</b>	<b>200,513,993</b>



# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 44. Operational costs

Advertising and publicity	4,794,683	5,984,705
Auditors remuneration	6,323,866	6,538,394
Bank charges	3,503,596	3,559,553
Cleaning	36,720	39,360
Commission paid	21,582,467	17,576,852
Entertainment	265,873	347,402
Hire of equipment	771,770	630,546
Insurance	10,051,437	8,726,539
External computer services	18,856,618	10,733,910
Skills development levies	5,658,493	4,544,639
Motor vehicle license and registrations	2,093,424	1,917,266
Water research levy	35,643	427,714
Placement fees	17,300	-
Printing, publications and books	316,492	102,851
Uniform and protective clothing	6,632,284	4,896,744
Subscriptions and membership fees	7,369,918	6,574,633
Communications	8,201,741	8,339,480
Transport and freight	96,500	-
Travel and subsistence	1,041,112	571,670
Deeds	191,717	143,312
Assets expensed	544,176	359,299
Tourism development	29,820	300
Registration fees	46,607	82,414
Signage	13,778	1,508,879
Bursaries	1,797,125	2,490,908
Learnership and internship	2,485,247	3,743,833
Remuneration to Ward Committees	2,188,250	3,290,000
Workmen's Compensation Fund	2,833,830	3,082,204
	<b>107,780,487</b>	<b>96,213,407</b>



### 45. Covid-19 related expenditure disclosure

Included in the total expenditure for the year is R 511 688 (2020/2021 : R 2 299 690) relating to the expenditure incurred on the management of Covid-19 pandemic. Below is the detailed breakdown:

Homeless Provision	-	56,820
Community Radio Awareness	28,800	107,900
Security Services	211,145	827,502
Sanitization and masks	271,743	1,183,489
Standby Allowance	-	123,979
	<b>511,688</b>	<b>2,299,690</b>

### 46. Auditors' remuneration

Fees	6,323,866	6,538,394
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# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>47. Bad debts written off</b>		
Traffic Fines	16,745,800	15,607,525
Property Rates	59,443	34,709,022
Solid Waste Removal	-	51,356,501
Sewerage	78	41,221,317
Water Distribution	208	5,503,025
Electricity Distribution	1,279	4,100,733
Sundry	290,604	-
Waste Water Management	1,920	-
Impairment	-	(112,170,956)
	<b>17,099,332</b>	<b>40,327,167</b>

### 48. Cash generated from operations

(Deficit) surplus	(54,556,771)	142,656,659
<b>Adjustments for:</b>		
Depreciation and amortisation	212,994,160	202,065,474
Donations	(12,909,841)	(41,689,195)
Rehabilitation of landfill sites	3,106,592	1,763,108
Loss on disposal of assets and liabilities	2,440,308	16,273,954
Interest income	(1,885,162)	(1,302,309)
Impairment loss (reversal)	53,734,445	(117,180,412)
Impairment	-	3,291,880
Bad debts written off	17,099,332	152,498,122
Provision - long service award	(1,861,000)	1,872,000
Leave provision	16,888,264	18,358,439
Other non-cash items	3,537,763	(51,796,762)
<b>Changes in working capital:</b>		
Inventories	2,126,736	(8,058,042)
Other receivables from exchange transactions	(2,382,582)	32,382,772
Receivables from exchange transactions	(20,250,408)	(3,881,294)
Receivables from non-exchange transactions	1,037,366	(22,458,845)
Current portion of long term receivables	4,593,117	-
Payables from non-exchange transactions	(1,063,288)	763,038
Deposits	(317,371)	419,582
Payables from exchange transactions	81,729,927	103,366,730
VAT	(20,691,131)	4,429,162
Consumer deposits	13,173,829	1,797,499
Operating lease assets	(2,916,200)	24,753
	<b>293,628,085</b>	<b>435,596,313</b>



### 49. Financial Instruments disclosure

#### Categories of financial instruments

2021

#### Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	9,066,327	9,066,327
Receivables from non-exchange transactions	59,367,438	59,367,438
Receivables from exchange transactions	93,100,113	93,100,113
Deposits	2,815,696	2,815,696
Investments	250,000,000	250,000,000
Cash and cash equivalents	94,565,439	94,565,439
	<b>508,915,013</b>	<b>508,915,013</b>

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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### 49. Financial Instruments disclosure (continued)

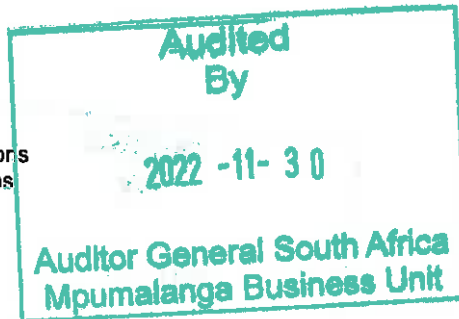
#### Financial liabilities

	At amortised cost	Total
Long term liabilities	460,296,426	460,296,426
Finance lease obligation	3,369,833	3,369,833
Payables from non-exchange transactions	1,434,412	1,434,412
Payables from exchange transactions	385,650,270	385,650,270
Consumer deposits	77,131,364	77,131,364
	<b>927,882,305</b>	<b>927,882,305</b>

#### 2022

#### Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	11,414,106	11,414,106
Receivables from non-exchange transactions	59,795,304	59,795,304
Receivables from exchange transactions	99,520,564	99,520,564
Deposits	3,133,067	3,133,067
Investments	200,000,000	200,000,000
Cash and cash equivalents	168,861,156	168,861,156
	<b>542,724,197</b>	<b>542,724,197</b>



#### Financial liabilities

	At amortised cost	Total
Long term liabilities	818,636,717	818,636,717
Payables from non-exchange transactions	68,280	68,280
Payables from exchange transactions	462,383,177	462,383,177
Consumer deposits	90,305,193	90,305,193
	<b>1,371,393,367</b>	<b>1,371,393,367</b>

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>50. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Community assets	1,188,181	29,017,031
• Infrastructure assets	12,510,381	103,762,757
• Other assets	2,843,624	-
	<b>16,542,186</b>	<b>132,779,788</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	16,542,186	132,779,788
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Software and licencing	-	1,621,450
• Consultant services	180,320	103,801
• Electrical maintenance services	41,560	344,457
	<b>221,880</b>	<b>2,069,708</b>
<b>Total operational commitments</b>		
Already contracted for but not provided for	221,880	2,069,708
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	16,542,186	132,779,788
Authorised operational expenditure	221,880	2,069,708
	<b>16,764,066</b>	<b>134,849,496</b>
<b>This expenditure will be financed from</b>		
Capital Replacement Reserve	16,764,066	19,470,128
External Loans	-	86,343,024
Government Grants	-	29,036,344
	<b>16,764,066</b>	<b>134,849,496</b>

**Audited  
By**  
  
**2022 -11- 30**  
  
**Auditor General South Africa  
Mpumalanga Business Unit**

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

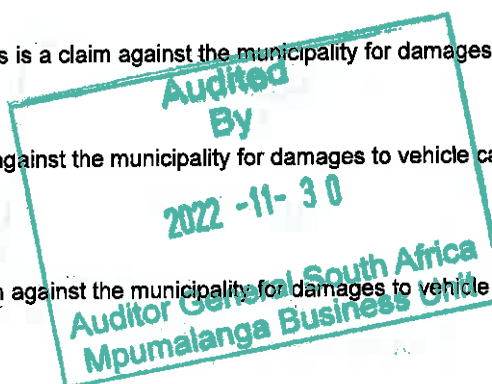
Figures in Rand	2022	2021
<b>51. Contingent liabilities</b>		
S Mokwana – claim against the municipality for wrongful arrest and assault of a third party. Matter referred to council's insurance.	100,000	100,000
Mr CH van Dyk – claim against the municipality for damages caused to his vehicle after colliding with a vehicle belonging to the municipality. Matter referred to council's insurance.	73,376	73,376
Mr T Ngwenya – claim against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.	65,001	65,001
Mrs Blignaut – claim against the municipality for damages caused to third party vehicle after colliding with a pothole. Matter is referred to council's insurance.	14,931	14,931
Telkom Soc Ltd – claim against the municipality for damage caused to fibre optic cables. Matter referred to council's insurance.	7,591	7,591
Mr A Mathebula – claim against the municipality for being assaulted by traffic officers. Matters referred to council's insurance.	500,000	500,000
Everest Funerals – this is a claim against the municipality for damages to vehicle after colliding with Council's vehicle.	4,450	4,450
S. Simelane – this is a claim against the municipality for damage to vehicle after colliding with a pothole.	11,105	11,105
H. Mabuza – this is a claim against the municipality for damage to electrical appliances caused by a surge in power	16,999	16,999
L. Davis – this is a claim against the municipality for damages to vehicle caused by a pothole.	3,000	3,000
L. Kriel – this a claim against the municipality for damaged gate motor	6,790	6,790
Mayivuthe – this is a claim against the municipality for a damaged surge arrestor machine.	719,322	719,322

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>51. Contingent liabilities (continued)</b>		
N.J Potgieter – this is claim against the municipality for assault by traffic officials.	396,500	396,500
Middelburg Power Supplies - this is a claim against the municipality for unpaid invoices.	657,540	657,540
J. Smit – this is a claim against the municipality for damages to vehicle caused by a pothole.	5,083	5,083
Telkom (Wilge Street) – this is a claim against the municipality for damages to infrastructure.	20,810	20,810
Telkom (Without Street) – this is a claim against the municipality for damages to infrastructure.	18,360	18,360
P. Mjadana – this is a claim against the municipality for damages to vehicle caused by a rock that was left on the road.	15,620	15,620
P.S Vermaak – this is a claim against the municipality for damages to vehicle caused by a pothole.	10,377	10,377
D. Tlou – this is a claim against the municipality for damages to vehicle caused by a pothole.	8,245	8,245
Mr P Maseko – claim against the municipality for food that got spoil as a result of a power outage. Matter referred to council's insurance.	1,000	1,000
AC Raynard – claim against the municipality for clearing a manhole that was blocked. Matter referred to council's insurance.	4,788	4,788
Midhend Investment CC – claim against the municipality for demolition of the third party's structure. Matter referred to council's insurance.	15,000	15,000
KJ Thubane – claim against the municipality for damages to vehicle after colliding with a rock on the road. Matter referred to council's insurance.	3,343	3,343
Ned Consortium – claim against the municipality for the illegal termination of a contract. Matter referred to council's insurance.	154,389	154,389



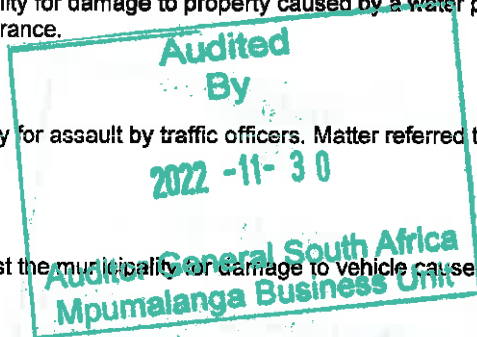


# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>51. Contingent liabilities (continued)</b>		
Mr and Mrs Vilane – claim against the municipality for damages of property caused by a water pipe that burst.	81,754	81,754
Mr and Mrs Letsoalo – claim against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.	102,226	102,226
SJ Mollente – claim against the municipality for injuries sustained after a tree stump fell on her. Matter referred to council's insurance.	510,000	510,000
NS Mahlangu - claim against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.	46,500	46,500
K Mabhoko – claim against the municipality for assault by traffic officers. Matter referred to council's insurance.	200,000	200,000
B.J Van Der Merwe – this is a claim against the municipality for damage to vehicle caused by a pothole.	980	980
B Lummis – this is a claim against the municipality for damage to vehicle caused by a pothole.	15,518	15,518
C. Badenhorst – this is a claim against the municipality for wrongful arrest.	200,000	200,000
S.E Mahlangu - this is a claim against the municipality for damages to vehicle caused by a rock that was left on the road.	16,682	16,682
M. Wantenaar – this is a claim against the municipality for damages to vehicle	3,003	3,003
Ophrus Phaphedi Makobe - The municipality is been sued for damage to vehicle	12,440	12,440
Thabo Joseph Mampuru - claim against the municipality for bodily injuries sustained after the floor of a municipal building collapsed. Matter referred to Councils insurers.	2,000,000	2,000,000

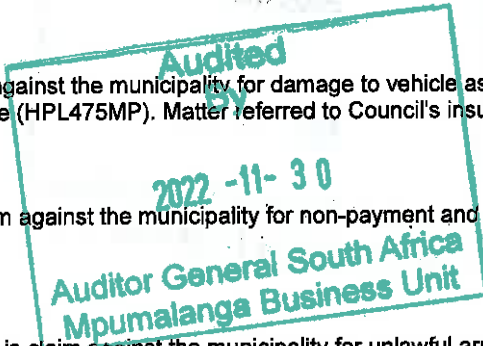


# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>51. Contingent liabilities (continued)</b>		
Telkom - This is a claim against the municipality for damages caused to Telkom infrastructure as Hans Strydom Street in Dennessig.	2,504	2,504
Telkom - This is a claim against the municipality for damages caused to Telkom infrastructure at Tambo Street in Aerorand.	4,275	4,275
Telkom - This is a claim against the municipality for damages caused to Telkom infrastructure at Tambo Street in Aerorand. (1577710)	3,075	3,075
LS Incorporated - This is claim against the municipality for damage to vehicle as a result of a collision with Council vehicle (CWN395MP). Matter referred to Council's insurers.	50,509	50,509
Wouter Grobler - This a claim against the municipality for damage to vehicle as a result of a collision with the Council vehicle (HPL475MP). Matter referred to Council's insurers.	23,769	23,769
NDB Consulting - This is a claim against the municipality for non-payment and breach of agreement.	116,161	116,161
Lucky Anthony Mbokodo - This is claim against the municipality for unlawful arrest and detention.	250,000	250,000
Leandri Pretorius - This is a claim against the municipality for being sexually assaulted by traffic officers.	300,000	300,000
Nicollas Potgieter - This is a claim against the municipality for alleged assault by the municipal workers at the Traffic Department.	569,000	569,000
ERF 2504 Kwazamokuhle Hendrina - This is a claim against the municipality wherein the house purchased from the Council was incorrectly allocated to the other person.	20,000	20,000
Johannes Oosthuizen Roux - This a claim against the municipality for damages caused by the municipal official during car collision.	50,509	50,509
Clerrance Arthur Holtmann - This is a claim against the municipality for alleged assault by the municipal officials at the Traffic Department.	600,000	600,000

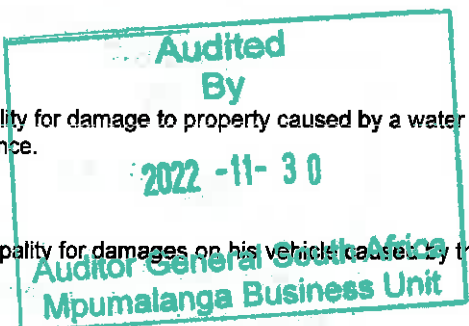


# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>51. Contingent liabilities (continued)</b>		
Moela Mohwaloba Manual - This a claim against the municipality for unlawful arrest by the municipal officials at the Traffic Department.	200,000	200,000
Bigen Africa Services (Pty) Ltd - This a claim against the municipality for the professional services rendered.	724,531	724,531
Mofokeng Matitchi - This a claim against the municipality for injuries caused by a gun shot from the officials acting on behalf of the municipality.	2,880,000	2,880,000
Freddy Andrews - This is a claim against the municipality for damages caused to his vehicle by pothole situated in a municipal road.	4,149	4,149
Mrs BK Mabuza - claim against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.	9,400	9,400
Jacob Elias Motau - claim against the municipality for damages on his vehicle caused by the collision with the municipal vehicle.	13,509	13,509
Joubert Emely - claim against the municipality for injuries sustained after falling into the municipal manhole.	780,098	780,098
Muchena Jacob claim against the municipality for unlawful arrest and detention	190,000	-
khumalo Delilwe claim against the municipality for unlawfully confiscating Fireworks stock at her place of work	200,000	-
South African music rights organisation (SAMRO) claim against debts outstanding	338,860	-
Gezani Joseph and Maroti clarence Maisela claim against the municipality for loss of life of their minor child as they alleged that the temporary accomodation provided by the municipality was not suitable to	400,000	-
	<b>13,753,072</b>	<b>12,624,212</b>



## 52. Related parties

Relationships	
Councillors	Refer to note 38
Key management	Refer to note 37

# Steve Tshwete Local Municipality

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### 53. Prior-year adjustments

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

#### Statement of financial position

2021

	Note	As previously reported	Correction of error	Restated
Inventories	11	607,507	479,605	1,087,112

#### Errors

The following prior period errors adjustments occurred:

##### Incorrect grant naming

In the prior financial year the Foreign Government and International Organisations : Unspecified GIZ was erroneously named as Greenest municipality competition. The correction of the grant naming was effected in the current financial year.

##### Omitted inventory journal

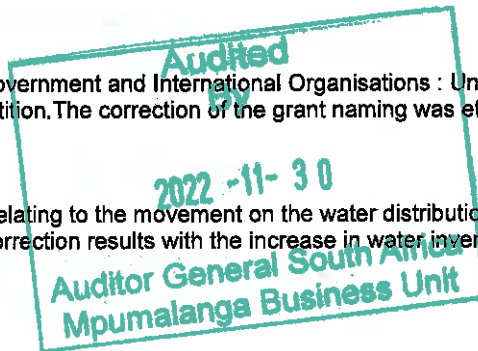
In the previous financial year a journal relating to the movement on the water distribution under the inventory was omitted and not processed. The impact of the correction results with the increase in water inventory by R 479 605 and other income by the same amount.

##### Reclassifications

The following reclassifications adjustment occurred:

##### Payables from exchange transactions

In the previous financial year reclassification occurred between Trade Payables and Accrued Expenses by grouping the amounts disclosed on each line to Payables and Accruals in compliance with Municipal Standard Chart of Accounts financial statements reporting specimen.



# Steve Tshwete Local Municipality

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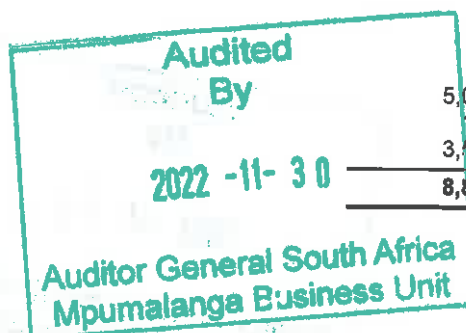
### 54. Change in accounting estimates

#### Remaining useful life adjustment

The useful lives of 8 860 assets were adjusted during 2021/2022 financial year to more accurately reflect the period of economic benefits or service potential derived from these assets. The identified assets are those in use which will depreciate to zero over the next 24 months. These assets were identified at the beginning of the reporting period.

The assets which abided by this rule were adjusted to reflect their condition rating at year end. The effect of changing the remaining useful life of assets has decreased the depreciation charge for the current year by R 7 549 356 and future periods. The table below illustrates the depreciation effect per asset class on the adjustment conducted during the financial year ending 30 June 2022.

Assets Category	Assets count	Depreciation before adjustment (R)	Revised current year and future depreciation (R)
Buildings	66	108,579	18,821
Community assets	97	415,331	113,792
Infrastructure assets	5,006	9,676,931	3,419,857
Intangible assets	106	199	137
Other assets	3,585	1,265,947	351,415
	<b>8,860</b>	<b>11,466,987</b>	<b>3,904,022</b>



### 55. 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.

#### Liquidity risk

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

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

	At 30 June 2022			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term liabilities	71,055,519	91,233,776	149,851,750	506,495,672
Payables from exchange transactions	282,102,988	4,404,268	140,936,548	39,936,392
Payables from non-exchange transactions	27,312	11,115	6,827	325,870
At 30 June 2021				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term liabilities	39,935,163	51,275,900	84,220,819	284,864,544
Payables from exchange transactions	235,287,741	3,673,376	117,548,000	29,141,151
Payables from non-exchange transactions	573,766	100,408	143,440	616,798

# Steve Tshwete Local Municipality

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### 55. Risk management (continued)

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. 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. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

Financial instrument	2022	2021
Long term receivables	5,245,692	5,935,860
Other receivables from exchange transactions	10,468,810	9,067,659
Receivables from non-exchange transactions	58,330,072	59,367,438
Receivables from exchange transactions	11,350,521	93,098,781
Investments	200,000,000	250,000,000
Deposits	3,133,067	2,815,696
Cash and cash equivalents	170,617,606	94,568,201

### 56. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

### 57. Unauthorised expenditure

Opening balance as previously reported	107,014,335	56,244,136
<b>Opening balance as restated</b>	<b>107,014,335</b>	<b>56,244,136</b>
Add: Expenditure identified - current	-	107,014,335
Less: Approved/condoned/authorised by council	(107,014,335)	(56,244,136)
<b>Closing balance</b>	<b>-</b>	<b>107,014,335</b>

The unauthorised expenditure is made up of the non-cash items which is impairment loss on other receivables from non-exchange and exchange transactions.

#### Unauthorised expenditure: Budget overspending – per municipal department:

Executive and Council	-	30,761,795
Community and social services	-	26,279,740
Financial services	-	49,972,800
	<b>-</b>	<b>107,014,335</b>

### 58. Fruitless and wasteful expenditure

Opening balance as previously reported	39,773	38,922
<b>Opening balance as restated</b>	<b>39,773</b>	<b>38,922</b>
Add: Expenditure identified - current	-	70,520
Less: Amounts recoverable - current	-	(69,669)
Less: Amount written off - current	(39,773)	-
<b>Closing balance</b>	<b>-</b>	<b>39,773</b>

# Steve Tshwete Local Municipality

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### 58. Fruitless and wasteful expenditure (continued)

### 59. Irregular expenditure

Opening balance as previously reported	488,900	488,900
Opening balance as restated	488,900	488,900
Less: Amount written off - current	(488,900)	-
Closing balance	-	488,900

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### 59. Irregular expenditure (continued)

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

#### Amounts written-off

The Municipal Public Accounts Committee investigated the above irregular expenditures. An attorney was appointed to investigate and make recommendations. It was found that although the deviations did not comply with the supply chain management policy, they acted in good faith and value for money was received. It was therefore recommended to Council to write off the expenditure.

### 60. In-kind donations and assistance

#### Nkangala District Municipality

HIV/AIDS Campaign	52,264	52,759
MHS Education and Awareness	51,773	24,252
SCM/Debtors Verification System	-	152,000
Disaster Management Awareness Campaign	60,852	20,683
Construction of low-flush toilets	76,119	320,611
Moral Regeneration	310,560	-
Geotechnical Investigation	551,568	570,305

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

#### Contributions to SALGA

Current year subscription / fee	7,252,079	6,465,114
Amount paid - current year	(7,252,079)	(6,465,114)
	-	-





# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

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

#### Audit fees

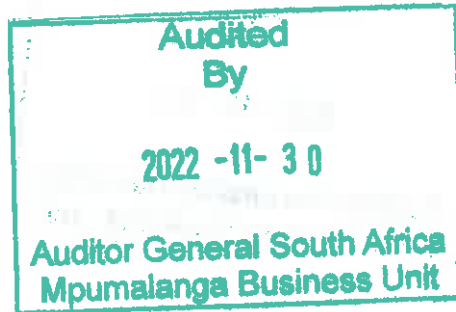
Current year subscription / fee	6,323,866	6,530,371
Amount paid - current year	(6,323,866)	(6,530,371)
	-	-

#### PAYE and UIF

Current year subscription / fee	97,784,081	92,314,067
Current year subscription / fee	6,369,871	5,655,399
Amount paid - current year	(97,784,081)	(92,314,067)
Amount paid - previous years	(6,369,871)	(5,655,399)
	-	-

#### Pension and Medical Aid Deductions

Current year subscription / fee	61,464,184	58,984,382
Current year subscription / fee	99,810,636	96,687,961
Amount paid - current year	(61,464,184)	(58,984,382)
Amount paid - previous years	(99,810,636)	(96,687,961)
	-	-



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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2022 and 30 June 2021.

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
De Klerk & Mogola PS & MP	699	-	699
De Klerk HG	3,469	-	3,469
Dyason J	1,476	-	1,476
Haarhoff JC & V	1,534	-	1,534
Mahlangu EP	364	-	364
Makhaza P	552	-	552
Malinga P	4,287	18,587	22,874
Malinga PV & ES	600	-	600
Mashabela BC	342	-	342
Mogala MP	747	22,049	22,796
Mokoena BH & F	28,202	22,447	50,649
Mokoena BH	6,913	-	6,913
Ngubeni ZJ	30,142	-	30,142
Segage J	1,339	-	1,339
Shongwe JM	1,141	1,128	2,269
Stuurman DA	339	-	339
Trollip HG	1,276	-	1,276
Wait MJ & S	2,344	-	2,344
Wolmarans CJ	1,988	-	1,988
Zondo LJJ	619	-	619
Zulu SW	343	2,015	2,358
	<b>88,716</b>	<b>66,226</b>	<b>154,942</b>
30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Mahlangu LK	1,038	6,455	7,493
Masemula CP & NW	3,088	7,350	10,438
Nghutshana AI	1,420	1,002	2,422
Skosana J	143	1,371	1,514
	<b>5,689</b>	<b>16,178</b>	<b>21,867</b>



#### Supply chain management regulations

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

Paragraph 45(a),(b) &(c) of Government Gazette No. 27636 issued on 30 May 2005 states that the notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months.

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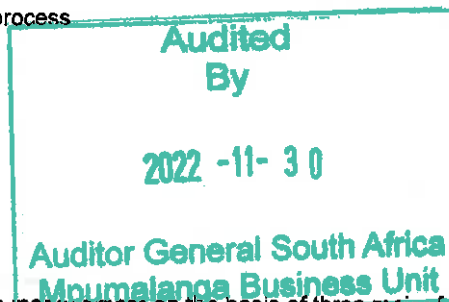
### 62. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

#### Class

Emergency	-	794,051
Sole supplier	2,910	236,030
Impractical or impossible to follow normal process	1,305,768	145,371
Ratification	-	20,109
	<b>1,308,678</b>	<b>1,195,561</b>



### 63. Segment information

#### General information

#### Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: Community and Public Services, Economic and Environmental Services and Trading Services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

#### Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Community and Public Services	Sports and Recreation, Housing, Health, Public Safety and Community and Social Services
Economic and Environmental Services	Environmental Protection, Road Transport, Planning and Development
Trading Services	Water and Electricity, Waste Management, Waste Water Management
Other Reportable Segments	Executive and Council, Finance and Administration, Internal Audit and Other

# Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2022

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### 63. Segment information (continued)

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

2021

	Community and Public Services	Trading services	Economic and Environmental Services	Other	Total
<b>Revenue</b>					
Revenue from non-exchange transactions	47,785,894	225,569,659	77,187,628	582,384,476	932,927,657
Revenue from exchange transactions	3,716,430	965,638,621	2,934,959	113,008,076	1,085,298,086
Other revenue	-	11,181,058	-	885,790	12,066,848
Reversal of impairment loss	-	81,866,046	-	35,335,686	117,201,732
<b>Total segment revenue</b>	<b>51,502,324</b>	<b>1,284,255,384</b>	<b>80,122,587</b>	<b>731,614,028</b>	<b>2,147,494,323</b>
<b>Entity's revenue</b>					<b>2,147,494,323</b>
<b>Expenditure</b>					
Contracted services	29,254,743	85,678,746	13,049,366	72,531,136	200,513,991
Bulk purchases	-	552,430,261	-	-	552,430,261
Depreciation and amortisation	19,645,567	86,089,983	59,797,075	36,532,849	202,065,474
Employee related costs	163,863,450	209,993,970	53,674,889	222,324,889	649,857,198
Finance costs	385,369	27,033,938	7,904,650	2,305,993	37,629,950
Inventory consumed	8,646,968	24,778,354	1,628,468	32,528,367	67,582,157
Operating leases	936,268	7,944	-	39,538	983,750
Operational costs	8,033,293	9,786,021	1,364,814	77,029,279	96,213,407
Bad debts written off	15,607,525	102,181,575	-	34,709,022	152,498,122
Impairment loss	-	-	-	3,291,880	3,291,880
Remuneration of councillors	-	-	-	23,201,102	23,201,102
Transfers and subsidies	-	-	394,839	1,947,500	2,342,339
Other expenses	-	10,266,531	297,120	6,143,986	16,707,637
<b>Total segment expenditure</b>	<b>246,373,183</b>	<b>1,108,247,323</b>	<b>138,111,221</b>	<b>512,585,541</b>	<b>2,005,317,268</b>
<b>Total segmental surplus/(deficit)</b>					<b>142,177,055</b>

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### 63. Segment information (continued)

#### Assets

Segment assets	Community and Public Services	Trading services	Economic and Environmental Services	Other	Total
Total assets as per Statement of financial Position	(222,582,647)	86,555,759	(230,669,649)	8,253,409,969	7,886,713,432
					7,886,713,432

#### Liabilities

Segment liabilities	Community and Public Services	Trading services	Economic and Environmental Services	Other	Total
Total liabilities as per Statement of financial Position	2,203,097	1,451,213,863	(1,208,171)	(2,559,984,772)	(1,107,775,983)
					(1,107,775,983)

2022

#### Revenue

Revenue from non-exchange transactions	Community and Public Services	Trading services	Economic and Environmental Services	Other	Total
Revenue from exchange transactions	28,155,126	261,286,335	34,122,188	597,739,727	921,303,376
Other revenue	3,380,855	1,020,419,784	6,776,097	88,059,015	1,118,635,751
				7,813,402	7,813,402
Total segment revenue	31,535,981	1,281,706,119	40,898,285	693,612,144	2,047,752,529
Entity's revenue					2,047,752,529

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### 63. Segment information (continued)

<b>Expenditure</b>									
Contracted services	32,296,487	128,788,833	13,993,201	63,508,792	238,587,313				
Bulk purchases	-	622,993,689	-	-	622,993,689				
Depreciation and amortisation	20,249,815	93,119,761	59,987,188	39,637,394	212,994,158				
Employee related costs	172,894,168	217,513,965	57,352,199	233,041,360	680,801,692				
Impairment of assets	-	24,782,380	201,327	29,033,637	54,017,344				
Inventory consumed	9,818,499	33,712,698	2,755,283	6,549,511	52,835,991				
Transfers and subsidies paid	-	-	21,895,043	1,398,119	23,293,162				
Operational costs	5,263,980	9,701,951	2,563,326	90,251,229	107,780,486				
Bad debts written off	16,745,800	3,487	-	67,147	16,816,434				
Loss on disposal of assets and liabilities	-	100,695	-	1,833,975	1,934,670				
Remuneration of councillors	-	-	-	27,022,288	27,022,288				
Rentals	932,217	-	-	122,495	1,054,712				
Other expenses	-	-	-	530,000	530,000				
Finance costs	149,674	51,751,922	7,115,058	2,630,707	61,647,361				
<b>Total segment expenditure</b>	<b>258,350,640</b>	<b>1,182,469,381</b>	<b>165,862,625</b>	<b>495,626,654</b>	<b>2,102,309,300</b>				
<b>Total segmental surplus/(deficit)</b>					<b>(54,556,771)</b>				

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<b>Assets</b>					
Segment assets	(286,656,271)	(74,477,764)	(351,463,032)	9,002,955,259	8,290,358,192
<b>Total assets as per Statement of financial Position</b>					<b>8,290,358,192</b>

<b>Liabilities</b>					
Segment liabilities	3,218,466	1,976,740,641	(360,258)	(414,791,566)	1,564,807,283
<b>Total liabilities as per Statement of financial Position</b>					<b>1,564,807,283</b>

**Measurement of segment surplus or deficit, assets and liabilities**

# Steve Tshwete Local Municipality

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### 63. Segment information (continued)

#### Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.



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