

# **KHAI-MA**

## **MUNICIPALITY**



### **FINANCIAL STATEMENTS**

**30 JUNE 2022**

# KHAI-MA MUNICIPALITY

## Index

<b>Contents</b>	<b>Page</b>
General Information	1 - 2
Approval of the Financial Statements	3
Report of the Auditor General	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes In Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts - Statement of Financial Position	9 - 10
Statement of Comparison of Budget and Actual Amounts - Statement of Financial Performance	11 - 12
Statement of Comparison of Budget and Actual Amounts - Cash Flow Statement	13 - 14
Accounting Policies	15 - 56
Notes to the Financial Statements	57 - 104
<b>APPENDICES</b>	
A Schedule of External Loans	105
B Segmental Statement of Financial Performance - GFS Classifications	106
C Segmental Statement of Financial Performance - Municipal Votes	107
D Segmental Analysis of Property, Plant and Equipment - GFS Classifications	108
E Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	109
F Appropriation Statements	110 - 118

# **KHAI-MA MUNICIPALITY**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

### **GENERAL INFORMATION**

#### **NATURE OF BUSINESS**

Khai-Ma Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### **GRADING OF MUNICIPALITY**

GRADE 1

#### **COUNTRY OF ORIGIN AND LEGAL FORM**

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### **JURISDICTION**

The Khai-Ma Municipality includes the areas of Pofadder, Aggeneys, Pella, Witbank and Onseepkans.

#### **MAYOR**

E Cloete

#### **SPEAKER**

BJ Bock

#### **CHIEF WHIP**

EJ Mowers

#### **MEMBERS OF THE EXECUTIVE COMMITTEE**

Executive Mayor

Speaker

Executive Councillor

Executive Councillor

E Cloete

BJ Bock

NC Masebeni

DL Jano

#### **ACTING MUNICIPAL MANAGER**

H Christian

#### **CHIEF FINANCIAL OFFICER**

PJ van der Merwe

#### **REGISTERED OFFICE**

P.O. Box 108

POFADDER

8890

#### **AUDITORS**

Office of the Auditor-General (Northern Cape)

#### **PRINCIPLE BANKERS**

The Standard Bank of S.A. Ltd

# **KHAI-MA MUNICIPALITY**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

### **GENERAL INFORMATION**

#### **ATTORNEYS**

Van der Merwe/Miller Ing.

#### **RELEVANT LEGISLATION**

Basic Conditions of Employment Act (Act no 75 of 1997)  
Collective Agreements  
Division of Revenue Act  
Electricity Act (Act no 41 of 1987)  
Employment Equity Act (Act no 55 of 1998)  
Housing Act (Act no 107 of 1997)  
Infrastructure Grants  
Municipal Budget and Reporting Regulations  
Municipal Finance Management Act (Act no 56 of 2003)  
Municipal Planning and Performance Management Regulations  
Municipal Property Rates Act (Act no 6 of 2004)  
Municipal Regulations on Standard Chart of Accounts  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Systems Amendment Act (Act no 7 of 2011)  
SALBC Leave Regulations  
Skills Development Levies Act (Act no 9 of 1999)  
Supply Chain Management Regulations, 2005  
The Income Tax Act  
Unemployment Insurance Act (Act no 30 of 1966)  
Value Added Tax Act  
Water Services Act (Act no 108 of 1997)

#### **MEMBERS OF THE KHAI-MA MUNICIPALITY**

##### **WARD**

1  
2  
3  
4  
5  
6  
Proportional  
Proportional  
Proportional  
Proportional  
Proportional

##### **COUNCILLOR**

BJ Bock  
E Cloete  
CA Waterboer  
NC Masebeni  
EJ Mowers  
SM Baker  
DL Jano  
O Adams  
SS Brandt  
T Wagae  
HD Nel



# KHAI-MA MUNICIPALITY

## APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2022, which are set out on pages 01 to 104 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2023 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements were prepared on the going concern basis and the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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H Christian  
Acting Municipal Manager

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Date

**KHAI-MA MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022**

	Notes	2022 R	2021 R
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>160 747 885</b>	<b>147 762 357</b>
Property, Plant and Equipment	2	156 547 251	143 524 067
Investment Property	3	4 168 288	4 174 384
Intangible Assets	4	32 346	63 906
<b>Current Assets</b>		<b>21 450 195</b>	<b>15 370 429</b>
Inventory	6	1 879 318	1 939 754
Receivables from Exchange Transactions	7	4 005 877	3 590 295
Receivables from Non-exchange Transactions	8	935 911	2 355 000
Operating Lease Asset	5	40 792	888
Taxes	17	10 164 843	7 470 177
Cash and Cash Equivalents	9	4 423 455	14 314
<b>Total Assets</b>		<b>182 198 080</b>	<b>163 132 785</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Non-Current Liabilities</b>		<b>28 276 829</b>	<b>27 152 017</b>
Long-term Borrowings	10	21 519	16 021
Non-current Provisions	11	20 379 309	19 692 996
Non-current Employee Benefits	12	7 876 001	7 443 001
<b>Current Liabilities</b>		<b>93 288 057</b>	<b>76 753 133</b>
Consumer Deposits	13	244 464	209 615
Provisions	11	16 850 647	15 571 897
Current Employee Benefits	14	4 113 077	3 687 641
Trade and Other Payables from Exchange Transactions	15	65 345 322	54 591 107
Unspent Transfers and Subsidies	16	6 707 813	2 663 128
Current Portion of Long-term Borrowings	10	26 734	29 744
<b>Total Liabilities</b>		<b>121 564 886</b>	<b>103 905 150</b>
<b>Net Assets</b>		<b>60 633 194</b>	<b>59 227 635</b>
Revaluation Reserve	19	44 605 285	46 216 101
Accumulated Surplus/(Deficit)		16 027 909	13 011 534
<b>Total Net Assets and Liabilities</b>		<b>182 198 080</b>	<b>163 132 785</b>

# KHAI-MA MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 R	2021 R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>57 632 256</b>	<b>47 260 943</b>
<b>Taxation Revenue</b>		<b>9 643 905</b>	<b>9 138 916</b>
Property Rates	20	9 614 005	9 108 660
Surcharges and Taxes		29 900	30 255
<b>Transfer Revenue</b>		<b>44 660 468</b>	<b>34 156 280</b>
Government Grants and Subsidies	21	40 460 468	34 156 280
Contributed Property, Plant and Equipment		4 200 000	-
<b>Other Revenue</b>		<b>3 327 883</b>	<b>3 965 748</b>
Actuarial Gains	12	250 178	-
Availability Charges	22	53 490	46 680
Fines, Penalties and Forfeits		23 850	28 150
Interest Earned - Non-exchange Transactions		506 715	364 209
Operational Revenue	29	2 493 651	3 526 709
<b>Revenue from Exchange Transactions</b>		<b>25 129 580</b>	<b>22 254 717</b>
Service Charges	24	20 205 972	18 492 081
Sales of Goods and Rendering of Services	25	68 261	80 501
Rental from Fixed Assets	26	389 791	252 445
Interest Earned - External Investments	27	214 102	47 087
Interest Earned - Exchange Transactions	28	4 207 467	3 311 773
Licences and Permits	23	40 289	36 857
Agency Services		-	31 085
Operational Revenue	29	3 698	2 888
<b>Total Revenue</b>		<b>82 761 836</b>	<b>69 515 661</b>
<b>EXPENDITURE</b>			
Employee related costs	30	(27 970 760)	(27 472 308)
Remuneration of Councillors	31	(3 722 007)	(2 534 604)
Contracted Services	32	(2 180 628)	(2 720 301)
Depreciation and Amortisation	33	(5 189 330)	(6 158 657)
Actuarial Losses	12	-	(513 181)
Finance Costs	34	(4 777 849)	(3 395 749)
Bulk Purchases	35	(6 618 739)	(6 577 312)
Inventory Consumed	6	(6 132 933)	(4 889 717)
Operational Costs	36	(7 952 339)	(7 182 727)
<b>Total Expenditure</b>		<b>(64 544 584)</b>	<b>(61 444 555)</b>
<b>Operating Surplus/(Deficit) for the Year</b>		<b>18 217 252</b>	<b>8 071 105</b>
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	6	-	(38 400)
Reversal of Impairment Loss/(Impairment Loss) on Receivables	37	(11 724 424)	(10 701 485)
Gains/(Loss) on Sale of Fixed Assets	38	(51 910)	(124 899)
Water Losses	39	(5 035 359)	(2 873 980)
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>1 405 559</b>	<b>(5 667 659)</b>

# KHAI-MA MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Revaluation Reserve R	Accumulated Surplus/ (Deficit) R	Total R
<b>Balance at 1 July 2020</b>	<b>47 658 792</b>	<b>18 242 028</b>	<b>65 900 821</b>
Correction of Error - note 41.6	-	(1 005 527)	(1 005 527)
<b>Restated balance</b>	<b>47 658 792</b>	<b>17 236 502</b>	<b>64 895 294</b>
Net Surplus/(Deficit) for the year	-	(5 667 659)	(5 667 659)
Net Surplus/(Deficit) previously reported	-	(7 561 663)	(7 561 663)
Effects of Correction of Errors - note 41.7		1 894 004	1 894 004
Revaluation	-	-	-
Offsetting of depreciation	(1 442 691)	1 442 691	-
<b>Restated balance</b>	<b>46 216 101</b>	<b>13 011 534</b>	<b>59 227 635</b>
Net Surplus/(Deficit) for the year	-	1 405 559	1 405 559
Revaluation	-	-	-
Offsetting of depreciation	(1 610 816)	1 610 816	-
<b>Balance at 30 June 2022</b>	<b>44 605 285</b>	<b>16 027 909</b>	<b>60 633 194</b>



## KHAI-MA MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 R	2021 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts			
Taxation		8 662 799	7 996 080
Service Charges		14 063 472	11 527 583
Other Revenue		4 184 846	1 729 764
Government - Operating		30 706 634	27 472 805
Government - Capital		13 798 519	5 658 000
Interest		214 102	47 087
Cash payments			
Suppliers of goods and services		(19 800 006)	(16 022 685)
Employee related cost		(31 344 152)	(29 365 958)
Finance Charges		(1 541 765)	(805 570)
Transfers and Grants		-	-
<b>Net Cash from Operating Activities</b>	<b>42</b>	<b>18 944 448</b>	<b>8 237 106</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(14 499 920)	(9 482 604)
Purchase of Intangible Assets		(3 120)	(7 839)
<b>Net Cash from Investing Activities</b>		<b>(14 503 040)</b>	<b>(9 490 443)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of Borrowing		(32 260)	(26 925)
<b>Net Cash from Financing Activities</b>		<b>(32 260)</b>	<b>(26 925)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>4 409 147</b>	<b>(1 280 261)</b>
Cash and Cash Equivalents at the beginning of the year		14 314	1 294 575
Cash and Cash Equivalents at the end of the year	<b>43</b>	<b>4 423 455</b>	<b>14 314</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>4 409 142</b>	<b>(1 280 261)</b>

**KHAI-MA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022**

National Treasury Classification Format	GRAP Annual Financial Statement Classification Format	Note Ref	Original Budget	Adjustments	Final Budget	Actual Outcome 2022	Difference between Final Budget and Actual Outcome	Variance (Actual Outcome as % of Final Budget)
			R	R	R	R	R	%
<b>ASSETS</b>								
<b>Current Assets</b>			46.2.1					
Cash			15 433 715	(9 226 654)	6 207 061	170 849		-97.25%
	Cash and Cash Equivalents		15 833 715	(9 226 654)	6 607 061	4 423 455		
	Less:							
	Call Investment Deposits		(400 000)	-	(400 000)	(4 252 607)		
			400 000	-	400 000	4 252 607		963.15%
Call Investment Deposits			-	-	-	-		
	Short-term Investments							
	Add:							
	Cash and Cash Equivalents: Call Investment Deposits		400 000	-	400 000	4 252 607		
Consumer Debtors			3 408 118	-	3 408 118	4 553 501		33.61%
	Receivables from Exchange Transactions		3 278 605	-	3 278 605	4 005 877		
	Add:							
	Receivables from Non-exchange Transactions: Rates		129 513	-	129 513	547 624		
Other Debtors			371 635	-	371 635	10 593 922		2750.63%
	Receivables from Non-exchange Transactions		501 148	-	501 148	935 911		
	Less:							
	Receivables from Non-exchange Transactions: Rates		(129 513)	-	(129 513)	(547 624)		
	Add:							
	Operating Lease Asset		-	-	-	40 792		
	Taxes		-	-	-	10 164 843		
Current Portion of long-term receivables			-	-	-	-		
Inventory	Current Portion of Non-Current Receivables		1 450 000	-	1 450 000	1 879 318		29.61%
<b>Total Current Assets</b>			21 063 468	(9 226 654)	11 836 814	21 450 195		81.22%
<b>Non-Current Assets</b>			46.2.2					
Long-term Receivables			-	-	-	-		
	Non-Current Receivables from Exchange Transactions		-	-	-	-		
	Non-Current Receivables from Non-Exchange Transactions		-	-	-	-		
Investment Property			4 174 385	-	4 174 385	4 168 288		-0.15%
Property, Plant and Equipment			155 912 908	9 886 957	165 799 865	156 547 251		-5.58%
Intangible Assets			51 645	-	51 645	32 346		-37.37%
<b>Total Non-Current Assets</b>			160 138 938	9 886 957	170 025 895	160 747 885		-5.46%
<b>TOTAL ASSETS</b>			181 202 406	660 303	181 862 709	182 198 080		0.18%



National Treasury Classification Format	GRAP Annual Financial Statement Classification Format	Note Ref	Original Budget	Adjustments	Final Budget	Actual Outcome 2022	Difference between Final Budget and Actual Outcome	Variance (Actual Outcome as % of Final Budget)
			R	R	R	R	R	%
<b>LIABILITIES</b>								
<b>Current Liabilities</b>								
Bank Overdraft		46.2.3	-	-	-	-	-	-
Borrowing	Cash and Cash Equivalents (Current Liability)		-	-	-	26 734	-	-
	Current Portion of Long-term Borrowings		-	-	-	26 734	-	-
Consumer Deposits	Short-term Borrowings		-	-	-	-	-	-
Trade and Other Payables	Consumer Deposits		205 267	-	205 267	244 464	-	19.10%
			51 295 468	-	51 295 468	72 053 135	-	40.47%
	Trade and Other Payables from Exchange Transactions		57 964 405	-	57 964 405	65 345 322	-	-
	Unspent Transfers and Subsidies		-	-	-	6 707 813	-	-
	Taxes		(6 668 937)	-	(6 668 937)	-	-	-
Provisions			2 799 695	-	2 799 695	20 963 724	-	648.79%
	Provisions		-	-	-	16 850 647	-	-
	Current Employee Benefits		2 799 695	-	2 799 695	4 113 077	-	-
<b>Total Current Liabilities</b>			54 300 430	-	54 300 430	93 288 057	-	71.80%
<b>Non-Current Liabilities</b>								
Borrowing		46.2.4	-	-	-	21 519	-	-
	Long-term Borrowings		-	-	-	21 519	-	-
	Operating Lease Liability		-	-	-	-	-	-
Provisions			34 787 517	-	34 787 517	28 255 310	-	-18.78%
	Non-current Provisions		26 933 754	-	26 933 754	20 379 309	-	-
	Non-current Employee Benefits		7 853 763	-	7 853 763	7 876 001	-	-
<b>Total Non-Current Liabilities</b>			34 787 517	-	34 787 517	28 276 829	-	-18.72%
<b>TOTAL LIABILITIES</b>			89 087 947	-	89 087 947	121 564 886	-	36.45%
<b>NET ASSETS</b>								
Accumulated Surplus/(Deficit)		46.2.5	59 740 088	660 303	60 400 391	16 027 909	-	-73.46%
Reserves			27 424 371	-	27 424 371	44 605 285	-	62.65%
	Capital Replacement Reserve		-	-	-	-	-	-
	Revaluation Reserve		27 424 371	-	27 424 371	44 605 285	-	-
	Valuation Roll Reserve		-	-	-	-	-	-
<b>TOTAL NET ASSETS</b>			87 164 459	660 303	87 824 762	60 633 194	-	-30.96%

**KHAI-MA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022**

National Treasury Classification Format	GRAP Annual Financial Statement Classification Format	Note Ref	Original Budget	Adjustments	Final Budget	Actual Outcome 2022	Difference between Final Budget and Actual Outcome
			R		R	R	R
<b>REVENUE</b>		<b>46.2.6</b>					
Property Rates	Property Rates		9 578 109	33 491	9 611 600	9 614 005	0.03%
Service Charges	Service Charges		25 174 259	(9 586 472)	15 587 787	20 259 462	29.97%
Service Charges - Electricity Revenue	Service Charges		10 450 269	-	10 450 269	10 231 554	
Service Charges - Water Revenue			11 219 423	(9 691 921)	1 527 502	6 390 685	
Service Charges - Sanitation Revenue			2 074 811	(185 544)	1 889 267	1 842 987	
Service Charges - Refuse Revenue			1 429 756	290 993	1 720 749	1 740 746	
	Availability Charges		-	-	-	53 490	
Rental of Facilities and Equipment			216 518	106 482	323 000	389 791	20.68%
	Rent on Land		-	-	-	-	
	Rental from Fixed Assets		216 518	106 482	323 000	389 791	
Interest Earned - External Investments			222 183	(92 183)	130 000	214 102	64.69%
Interest Earned - Outstanding Debtors			4 926 532	(3 610)	4 922 922	4 714 181	-4.24%
	Interest Earned - Exchange Transactions		4 415 493	(3 610)	4 411 883	4 207 467	
	Interest Earned - Non-exchange Transactions		511 039	-	511 039	506 715	
Dividends Received			-	-	-	-	
Fines, Penalties and Forfeits			91 095	(64 745)	26 350	23 850	-9.49%
Licences and Permits			118 761	(555)	118 206	40 289	-65.92%
Agency Services			-	-	-	-	
Transfers and subsidies			26 191 913	1 963 043	28 154 956	26 661 949	-5.30%
Other Revenue	Government Grants and Subsidies - Operating		33 454	1 153 286	1 186 740	2 595 510	118.71%
	Surcharges and Taxes		-	-	-	29 900	
	Operational Revenue		18 590	1 136 662	1 155 252	2 497 349	
	Public Contributions and Donations		-	-	-	-	
	Sales of Goods and Rendering of Services		14 864	16 624	31 488	68 261	
Gains			-	-	-	250 178	
	Actuarial Gains		-	-	-	250 178	
	Profit/(Loss) from Discontinued Operations		-	-	-	-	
<b>Total Revenue (excluding capital transfers and contributions)</b>			<b>66 552 824</b>	<b>(6 491 263)</b>	<b>60 061 561</b>	<b>64 763 317</b>	<b>7.83%</b>
<b>EXPENDITURE</b>		<b>46.2.7</b>					
Employee Related Costs			31 570 813	(265 716)	31 305 097	27 970 760	-10.65%
Remuneration of Councillors			3 536 578	62 971	3 599 549	3 722 007	3.40%
Debt Impairment			4 999 111	-	4 999 111	11 724 424	134.53%
	Reversal of Impairment Loss/(Impairment Loss) on Receivables		4 999 111	-	4 999 111	11 724 424	
	Bad Debts Written Off		-	-	-	-	

National Treasury Classification Format	GRAP Annual Financial Statement Classification Format	Note Ref	Original Budget	Adjustments	Final Budget	Actual Outcome 2022	Difference between Final Budget and Actual Outcome
			R		R	R	R
Depreciation and Amortisation	Depreciation and Amortisation		5 225 828	-	5 225 828	5 189 330	-0.70%
Finance Costs	Finance Costs		2 212 671	953 995	3 166 666	4 777 849	50.88%
Bulk Purchases - electricity	Bulk Purchases (Electricity only)		9 960 656	1 276 120	11 236 776	11 654 098	3.71%
Inventory consumed			12 798 336	26 146	12 824 482	1 097 574	-91.44%
	Inventory Consumed		7 848 336	26 146	7 874 482	6 132 933	
	Bulk Purchases (Water only)		4 950 000	-	4 950 000	(5 035 359)	
Contracted Services			3 299 203	175 365	3 474 568	2 180 628	-37.24%
Transfers and Subsidies			-	-	-	-	-
Other Expenditure			7 913 271	406 510	8 319 781	7 952 339	-4.42%
	Operational Costs		7 913 271	406 510	8 319 781	7 952 339	
	Operating leases		-	-	-	-	
Losses			911 000	-	911 000	5 087 269	458.43%
	Gains/(Loss) on Sale of Fixed Assets		-	-	-	51 910	
	Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets		900 000	-	900 000	-	
	Inventories:(Write-down)/Reversal of Write-down to Net Realisable Value		11 000	-	11 000	-	
	Water Losses		-	-	-	5 035 359	
<b>Total Expenditure</b>			82 427 467	2 635 391	85 062 858	81 356 277	-4.36%
<b>Surplus/(Deficit)</b>							
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)							
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	Government Grants and Subsidies - Capital		18 906 187	6 086 957	24 993 144	13 798 519	-44.79%
Transfers and subsidies - capital (in-kind - all)	Contributed Property, Plant and Equipment		-	-	-	-	
<b>Surplus/(Deficit) after Capital Transfers &amp; Contributions</b>			-	3 700 000	3 700 000	4 200 000	13.51%
Taxation			3 031 544	660 303	3 691 847	1 405 559	
<b>Surplus/(Deficit) after Taxation</b>			3 031 544	660 303	3 691 847	1 405 559	
Attributable to Minorities			-	-	-	-	
<b>Surplus/(Deficit) Attributable to Municipality</b>			3 031 544	660 303	3 691 847	1 405 559	
Share of Surplus/(Deficit) of Associate			-	-	-	-	
<b>Surplus/(Deficit) for the year</b>			3 031 544	660 303	3 691 847	1 405 559	



**KHAI-MA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022**

National Treasury Classification Format	GRAP Annual Financial Statement Classification Format	Note Ref	Original Budget	Adjustments	Final Budget	Actual Outcome 2022	Difference between Final Budget and Actual Outcome
			R	R	R	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>							
<b>Receipts</b>							
Property rates	Taxation		7 662 487	33 492	7 695 979	8 662 799	12.56%
Service Charges			25 320 367	(9 483 600)	15 836 767	14 063 472	-11.20%
	Service charges		25 304 434	(9 483 600)	15 820 834	14 063 472	
	<b>Less:</b>		15 933	-	15 933	-	
	Increase/(Decrease) in Consumer Deposits						
Other Revenue			243 310	1 087 986	1 331 296	4 184 846	214.34%
Transfers and Subsidies - Operational	Government - Operating		26 191 913	1 963 044	28 154 957	30 706 634	9.06%
Transfers and Subsidies - Capital	Government - Capital		18 906 187	6 086 956	24 993 143	13 798 519	-44.79%
Interest			222 183	(92 183)	130 000	214 102	64.69%
Dividends			-	-	-	-	-
<b>Payments</b>							
Suppliers and Employees			(56 900 660)	(2 635 393)	(59 536 053)	(51 144 159)	-14.10%
	Suppliers of goods and services		(56 900 660)	(2 635 393)	(59 536 053)	(19 800 006)	
	Employee related cost		-	-	-	(31 344 152)	
Finance charges			-	-	-	(1 541 765)	-
Transfers and Grants			-	-	-	-	-
<b>Net Cash from/(used) Operating Activities</b>		<b>46.2.8</b>	<b>21 645 787</b>	<b>(3 039 698)</b>	<b>18 606 089</b>	<b>18 944 448</b>	

National Treasury Classification Format	GRAP Annual Financial Statement Classification Format	Note Ref	Original Budget	Adjustments	Final Budget	Actual Outcome 2022	Difference between Final Budget and Actual Outcome
			R	R	R	R	R
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>							
<b>Receipts</b>							
Proceeds on disposal of PPE			-	-	-	-	-
Decrease (increase) in Non-Current Receivables			-	-	-	-	-
Decrease/(Increase) in Non-Current Investments			-	-	-	-	-
<b>Payments</b>							
Capital Assets			(19 106 187)	(6 186 956)	(25 293 143)	(14 503 040)	-42.66%
Purchase of Property, Plant and Equipment			(19 106 187)	(6 186 956)	(25 293 143)	(14 499 920)	
Purchase of Investment Properties			-	-	-	-	
Purchase of Intangible Assets			-	-	-	(3 120)	
Purchase of Heritage Assets			-	-	-	-	
Purchase of Agricultural Assets			-	-	-	-	
<b>Net Cash from/(used) Investing Activities</b>		<b>46.2.9</b>	(19 106 187)	(6 186 956)	(25 293 143)	(14 503 040)	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>							
<b>Receipts</b>							
Short Term Loans			-	-	-	-	-
Borrowing long term/refinancing			-	-	-	-	-
Increase (decrease) in consumer deposits			-	-	-	-	-
<b>Payments</b>							
Repayment of Borrowing			-	-	-	(32 260)	-
Repayment of Borrowing			-	-	-	-	-
Repayment of Finance leases			-	-	-	-	-
<b>Net Cash from/(used) Financing Activities</b>		<b>46.2.10</b>	-	-	-	(32 260)	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>			2 539 600	(9 226 654)	(6 687 054)	4 409 147	-
Cash and Cash Equivalents at the year begin:			13 294 115	-	13 294 115	14 314	-
Cash and Cash Equivalents at the year end:			15 833 715	(9 226 654)	6 607 061	4 423 461	-

**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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**1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

**1.1. BASIS OF PREPARATION**

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

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – April 2019) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

**1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

**1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**1.4. COMPARATIVE INFORMATION**



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification are disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The mSCOA Charts are updated annually by the National Treasury. The municipality has realigned items in the financial statements with the Item Segment of mSCOA Version 6.5, on which the municipality was required to transacted for periods after 1 July 2021. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2021 audited amounts are set out in note 40 of the annual financial statements.

#### **1.5. CONSISTENT AND NEW ACCOUNTING POLICIES**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. For the financial year, no new standards became effective.

#### **1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made based on the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

#### **1.7. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by the National Treasury. The comparisons of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is, therefore, on a comparable basis to the actual amounts.

Comparable information includes the following:

- the approved and final budget amounts;

**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

**1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards and Interpretations of the Standards of GRAP have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 25	<p><b><u>Employee benefits</u></b></p> <p>The objective of this Standard is to prescribe the accounting and disclosure for employee benefits.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p> <p>OR</p> <p>The municipality might need to revise the recognition and measurement of employee benefits.</p>	Unknown
GRAP 104	<p><b><u>Financial Instruments</u></b></p> <p>The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p> <p>OR</p> <p>The Municipality might need to revise the categories of financial instruments and the impairment model.</p>	Unknown
iGRAP 7	<p><b><u>The limit on a defined benefit asset, minimum funding requirement and their interaction</u></b></p> <p>This Interpretation applies to all post-employment defined benefits and other long-term employee defined benefits.</p> <p>No significant impact is expected as the Municipality does not</p>	Unknown

**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

REFERENCE	TOPIC	EFFECTIVE DATE
	<p>hold any plan assets.</p> <p>OR</p> <p>The municipality might need to revise the recognition and measurement of employee benefits.</p>	
iGRAP 21	<p><b><u>The Effect of Past Decisions on Materiality</u></b></p> <p>This interpretation explains the implications of adopting accounting policies for material items based on GRAP standards as well as alternative accounting treatments for immaterial items. Therefore it is a guide on materiality.</p> <p>No significant impact expected as the Municipality's current treatment is already in line with the Interpretation.</p> <p>OR</p> <p>The municipality might need to revise its application of materiality.</p>	1 April 2023
Guideline	<p><b><u>Landfill sites</u></b></p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p> <p>OR</p> <p>The municipality may have to revise their currently policy on the treatment of such transactions.</p>	Unknown
Guideline	<p><b><u>Application of Materiality of Financial Statements</u></b></p> <p>The guideline is not authoritative but only encourage.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p> <p>OR</p> <p>The municipality may have to revise their currently policy on materiality to include additional factors.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

#### 1.9. 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



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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.

**1.10. RESERVES**

**1.10.1. Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced, and the accumulated surplus / (Deficit) is credited by a corresponding amount when the amounts in the CRR are utilized.

**1.10.2. Revaluation Reserve**

The accounting for the Revaluation Reserve must be performed in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation reserve is realized as revaluated assets are depreciated, through a transfer from the Revaluation Reserve to the accumulated surplus / (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus / (deficit) while gains or losses on disposal, based on revaluated amounts, are charged to the Statement of Financial Performance.

**1.11. LEASES**

**1.11.1. Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding

**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**1.11.2. Municipality as Lessor**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

**1.12. BORROWING COST**



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

**1.13. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the liability. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

**1.14. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

**1.15. UNSPENT PUBLIC CONTRIBUTIONS**

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder, it is recorded as part of the creditor. If it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

**1.16. PROVISIONS**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at the reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.

**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

**1.17. EMPLOYEE BENEFITS**

**(a) *Post-Retirement Medical Obligations***

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

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(b) *Long Service Awards***

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically, and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(c) Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

**(d) Staff Bonuses**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

**(e) Other Short-term Employee Benefits**

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

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

**1.18. PROPERTY, PLANT AND EQUIPMENT**

**1.18.1. Initial Recognition**

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

**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on the acquisition date and are initially recorded 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired are 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.

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

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred is recognised as part of the cost of the asset.

**1.18.2. Subsequent Measurement – Revaluation Model**

Subsequent to initial recognition, Land and Buildings is carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the Statement of Financial Performance, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

**1.18.3. Subsequent Measurement – Cost Model**



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

**1.18.4. Depreciation and Impairment**

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

<b><u>Land and Buildings</u></b>	<b><u>Years</u></b>
Land	Indefinite
Buildings	10-50
<b><u>Infrastructure</u></b>	
Roads and Streets	3-50
Electricity Mains	12-50
Water Mains and Purification	4-60
Sewerage Mains & Purification	15-60
Security measures	14-20
<b><u>Community</u></b>	
Recreation Grounds	7-30
Fire, Safety and Emergency	4-10
Libraries	30
Clinics and Hospitals	10-50
<b><u>Finance lease assets</u></b>	
Office equipment	3
<b><u>Other</u></b>	
Motor Vehicles	3-15
Office equipment	3-10
Furniture and fittings	2-32

**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

Bins and containers	7
Plant and Equipment	3-30
Landfill sites	1-20
Emergency equipment	3-4
Computer equipment	3-7

The depreciation charge is recognised in the Statement of Financial Performance.

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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

**1.18.5. De-recognition**

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

**1.18.6. Land and Buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets, the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

**1.19. INTANGIBLE ASSETS**

**1.19.1. Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e., is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

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

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

Intangible assets are initially recognised at cost.

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

**1.19.2. Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**1.19.3. Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e., when it is in the

**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u><b>Intangible Assets</b></u>	<b>Years</b>
Computer Software	3-12

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

**1.19.4. De-recognition**

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

**1.19.5. Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets, the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

**1.20. INVESTMENT PROPERTY**

**1.20.1. Initial Recognition**

Investment property shall be recognised as an asset when and only when:

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

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred is recognised as part of the cost of the asset.

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

**1.20.2. Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

**1.20.3. Depreciation and Impairment – Cost Model**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	10-50

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

**1.20.4. De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.20.5. Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

**1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.21.1. Cash generating assets**

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

**(a) External sources of information**

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

**(b) Internal sources of information**

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected

**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

date, and reassessing the useful life of an asset as finite rather than indefinite;

- A decision to halt the construction of the asset before it is complete or in a usable condition
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation 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 shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an assets or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the assets or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

**1.21.2. Non-cash-generating assets**

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an 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



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

An impairment loss is recognised immediately in surplus or deficit unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an 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 an 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. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. 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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

## **1.22. CONSTRUCTION CONTRACTS**

Construction contracts are those contracts entered between the municipality and a customer (or third party) whereby the municipality delivers a constructed asset in terms of an agreement with such party. The construction can be done by the municipality or through the use of a sub-contractor. The benefit of the constructed item (or group of items) must be received by such party and not the municipality.

**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

Revenue from such contracts shall comprise the agreed value in terms of the contract plus any agreed variations to such contract on the conditions that these variations will result in an inflow of economic resources that can be measured reliably.

Contract costs are costs that directly relate to the contract as well as costs that are attributable to the execution of the construction work and any additional costs as agreed between the municipality and the party obtaining the final goods. Attributable costs are only assigned to the contract costs if these can be assigned on a systematic and rational basis.

The municipality assessed all of the contracts in place and found that only those contracts pertaining to Housing Arrangements as those described in ASB's Accounting for Arrangements Undertaken in terms of the National Housing Programme would meet the definition on Construction Contracts.

All of these contracts for the municipality are fixed-price contracts. Revenue and costs are therefore recognised with reference to the stage of completion provided that the conditions for contract revenue and contract costs are met and the stage of contract completion can be measured.

In exceptional cases, if any, for a cost-plus or cost-based contract, the outcome of a construction contract can be estimated reliably when it is probable that the economic benefits or service potential associated with the contract will flow to the entity and the contract costs can be clearly identified and measured reliably.

An expected deficit on a construction contract shall be recognised as an expense immediately based on the stage of completion. Future losses are only accounted for when these losses are incurred in terms of the stage of completion. This implies that only the proportional loss of a contract would be recognised based on the percentage of completion.

As the percentage or stage of completion is an estimate at year-end, any subsequent changes to the estimate would be accounted for as a change in estimate in terms of the relevant municipal accounting policy.

### **1.23. NON-CURRENT INVESTMENTS**

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

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

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



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

**1.24. INVENTORIES**

**1.24.1. Initial Recognition**

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilolitre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e., a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**1.24.2. Subsequent Measurement**

Inventories, consisting of consumable stores, materials and supplies and water are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

In general, the basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings.

**1.25. FINANCIAL INSTRUMENTS**



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

**1.25.1. Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

**1.25.2. Subsequent Measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

**1.25.2.1. Receivables**

Receivables are classified as financial assets at amortised cost and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with

**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

**1.25.2.2. *Payables and Annuity Loans***

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

**1.25.2.3. *Cash and Cash Equivalents***

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

**1.25.2.4. *Non-Current Investments***

Investments which include fixed deposits invested in registered commercial banks are stated at amortised cost.

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

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



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

**1.25.3. De-recognition**

**1.25.3.1. Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised, and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**1.25.3.2. Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**1.25.4. Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

**1.26. STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Receivables that arise due to contractual arrangements are accounted for in terms of the accounting policy on Financial Instruments. Statutory receivables can arise from both exchange and non-exchange transactions.

**1.26.1. Initial Recognition**

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition and recognition criteria of asset is met.

**1.26.2. Subsequent Measurement**

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

The municipality considers the following as indicators:

**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied)
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

**1.26.3. Derecognition**

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
  - i. derecognise the receivable; and
  - ii. recognise separately any rights and obligations created or retained in the transfer.

**1.26.4. Transitional Provisions**

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard, the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables.

The transitional period commences from 1 June 2019 and will be utilised until the period ending 30 June 2022.

**1.27. REVENUE**

**1.27.1. Revenue from Non-Exchange Transactions**



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset, and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment when such items of property, plant and equipment qualify for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties, i.e., insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualify for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore, the substance of these transactions indicates that even though the prescription period for



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

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

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a 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 present 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 will be recognised as revenue.

Services in-kind that are significant to the Municipality's operations are recognised as assets and 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.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed, and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality, therefore, recognises an expense and related revenue for the consumption of services in-kind.

**1.27.2. Revenue from Exchange Transactions**

**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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

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;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue, this would be considered a subsequent event.

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

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after the date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

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

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property, a fixed monthly tariff is levied, and in the case of commercial property, a tariff is levied based on the number of sewerage



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

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

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

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

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents, and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold, or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

**1.28. ACCOUNTING BY PRINCIPALS AND AGENTS**

A principal-agent arrangement exists where there is 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).

The municipality can be either the agent or the principal in terms of the circumstances of the arrangement.

Where the municipality is considered the principal, all revenues, expenses, liabilities and assets are recorded in the records of municipality in accordance with the relevant standards of GRAP.

Where the municipality is the agent to the transaction, only the portion of revenue and expenses it receives or incurs in executing the transactions on behalf of the principal is recorded with unspent or moneys due being recorded in terms of GRAP 104: Financial Instruments.

**Identification**

Special consideration is given to the classification of an agreement (once the standard is triggered) to carefully consider whether the municipality is an agent. The considerations include (all of) the following:

- Who determines significant terms?
- Who receives the benefit from the transactions?
- Is the municipality exposed to the variability of the outcome?

If these are not met, but the standard is applicable, the municipality would be regarded as the principal in the transaction.

**1.29. SERVICE CONCESSION ARRANGEMENTS: (Municipality as grantor)**

**Identification**

Service concession arrangements of the municipality include the provision of mandated functions on behalf of the municipality by the operator for a specified period of time, for which the operator is compensated for its services over the period of the service concession arrangement.

**Initial Recognition**

Service concession assets are measured initially at fair value except where the assets are existing assets of the municipality in which case the assets are reclassified at their carrying amounts. Service concession assets will be identified separately.

**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

The service concession liability is recognised and initially measured at:

- The same amount as the service concession asset,
- Adjusted by the amount of any other consideration (e.g., cash) from the municipality to the operator, or from the operator to the municipality.

**Subsequent Measurement**

The municipality initially measures the service concession asset at fair value if it is not an existing asset of the municipality.

After initial recognition, the municipality applies the measurement (including impairment) and derecognition principles to the service concession asset applicable to similar items of Property, Plant and Equipment, Intangible Assets or Heritage Assets.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the municipality accounts for the liability as a financial liability.

The municipality allocates the payments to the operator and accounts for them according to their substance as a reduction in the service concession liability, a finance charge, and charges for services provided by the operator.

**Other Liabilities, Contingent Liabilities, Contingent Assets and Revenue**

The municipality accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial Instruments.

The municipality accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the principles of Revenue from Exchange Transactions.

**Dividing the arrangement**

When the municipality pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

**Recognition of the performance obligation and the right to receive a significant interest in a service concession asset**

Were the municipality controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the municipality recognises its right to receive the residual interest (i.e., a receivable) in the service concession asset at the commencement of the arrangement. The value of the receivable at the end of

**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

the service concession arrangement reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

**1.30. TRANSFER OF FUNCTIONS (Municipality as the acquirer)**

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

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, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired, and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**1.31. RELATED PARTIES**

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

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.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

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

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. A person is considered to be a close member of the family of another person if they:

(a) are married or live together in a relationship similar to a marriage; or

**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm’s length and not on normal commercial terms are disclosed.

### **1.32. UNAUTHORISED EXPENDITURE**

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



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.33. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.34. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.35. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities and assets.

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

**1.36. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the carrying 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. The estimates and associated assumptions are based on historical



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

***Post-retirement medical obligations and Long service awards***

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 12 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

***Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

***Impairment of Statutory Receivables***

The calculation in respect of the impairment of Statutory Receivables is based on an assessment of the expected recoverability of each individual receivable based on the history of recoverability of such receivables. When insufficient information is available to assess individual debtors, debtors are grouped into appropriate aggregated grouping levels. Aggregation is based on best practice. Thereafter receivables are assessed based on historical information available.

***Property, Plant and Equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical, useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings, management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement

**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method, which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

***Intangible Assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method, which was based on assumptions about the remaining duration of the assets.

***Investment Property***



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

***Provisions and Contingent Liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

***Provision for Landfill Sites***

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of the time value of money.

***Provision for Staff leave***

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at the reporting date. This provision will be realised as employees take leave or when employment is terminated.



**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

***Pre-paid electricity estimation***

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end, which is still unused. The average pre-paid electricity sold per day during the year under review is used, and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

***Componentisation of Infrastructure assets***

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the Standards of GRAP.

***Revenue Recognition***

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.37. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value-added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.38. CAPITAL COMMITMENTS**

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

**1.39. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the

**KHAI MA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

**1.40. SEGMENT REPORTING**

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

Management identifies reportable segments in accordance with the monthly section 71 report, which are regularly reviewed by management. Management reviews the performance on an aggregated basis of total revenue and total expenditure.

The municipality manages its assets and liability as a whole and are not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

The measurement basis per the monthly reports is the same as the annual financial statements.

On the first-time adoption of GRAP 18, comparative segment information is not required in terms of the transitional provisions.



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2. PROPERTY, PLANT AND EQUIPMENT

2.1 30 JUNE 2022

	Cost/Revaluation				Accumulated Depreciation and Impairment Losses				Carrying Value
	Opening Balance	Correction of Error	Additions	Revaluation	Disposals	Closing Balance	Opening Balance	Depreciation	
<b>Infrastructure</b>									
Roads and Storm Water	22 402 735	-	-	-	-	22 402 735	12 008 789	602 137	12 610 926
Electricity	12 648 767	-	512 163	-	-	13 160 930	5 759 612	186 721	5 946 332
Water Supply	56 436 392	-	13 052 944	-	-	69 489 336	13 889 654	1 201 097	15 090 751
Sanitation	10 196 560	-	-	-	-	10 196 560	5 771 444	183 378	5 954 822
Solid Waste	18 930 987	-	(511 021)	-	-	18 419 966	13 772 734	693 054	14 465 788
Other	740 551	-	-	-	-	740 551	516 870	25 229	542 099
	121 355 992	-	13 054 086	-	-	134 410 078	51 719 104	2 891 616	54 610 719
<b>Community Assets</b>									
Community Facilities									
Halls	15 507 743	-	-	-	-	15 507 743	8 066 677	677 962	8 744 638
Fire/Ambulance Stations	28 734	-	-	-	-	28 734	27 889	845	28 734
Libraries	3 359 967	-	-	-	-	3 359 967	519 074	151 832	670 906
Sport and Recreation Facilities									
Outdoor Facilities	11 066 829	-	-	-	-	11 066 829	3 724 875	477 889	4 202 764
	29 963 274	-	-	-	-	29 963 274	12 338 514	1 308 528	13 647 042
<b>Other Assets</b>									
Other Land	52 655 990	-	-	-	-	52 655 990	286 350	-	286 350
Operational Buildings									
Municipal Offices	1 299 181	-	5 074 300	-	-	6 373 481	420 316	58 351	478 667
Workshops	4 620	-	-	-	-	4 620	3 664	143	3 808
Computer Equipment	833 128	-	48 101	-	(137 549)	743 681	633 988	98 849	616 684
Furniture and Office Equipment	1 177 303	-	28 054	-	(144 541)	1 060 816	812 770	121 321	808 093
Machinery and Equipment	1 190 156	-	19 107	-	(107 894)	1 101 368	706 730	143 363	1 024 993
Transport Assets	6 643 859	-	-	-	(865 141)	5 778 717	4 739 725	532 953	865 141
	63 804 237	-	5 169 562	-	(1 255 126)	67 718 673	7 603 542	954 980	7 348 737
<b>Leases</b>									
Furniture and Office Equipment	74 069	-	-	-	-	74 069	12 345	-	12 345
	74 069	-	-	-	-	74 069	12 345	-	12 345
<b>Total</b>	215 197 572	-	18 223 648	-	(1 255 126)	232 166 095	71 673 505	5 155 123	75 618 843
									156 547 251

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2.2 30 JUNE 2021

	Cost/Revaluation					Accumulated Depreciation and Impairment Losses					Carrying Value		
	Opening Balance	Correction of Error	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Correction of Error	Depreciation	Disposals		Impairment	Closing Balance
Infrastructure													
Roads and Storm Water	22 402 735	-	-	-	-	22 402 735	11 406 651	-	602 138	-	-	12 008 789	10 393 946
Electricity	12 306 549	-	342 218	-	-	12 648 767	5 578 793	-	180 818	-	-	5 759 612	6 889 155
Water Supply	47 569 089	(197 083)	9 064 386	-	-	56 436 392	12 848 685	-	1 040 970	-	-	13 889 654	42 546 738
Sanitation	10 196 560	-	-	-	-	10 196 560	5 588 065	-	183 378	-	-	5 771 444	4 425 116
Solid Waste	18 082 427	485 985	362 575	-	-	18 930 987	11 907 106	-	1 865 628	-	-	13 772 734	5 158 253
Other	1 120 831	-	-	-	(380 280)	740 551	772 595	-	26 315	(282 039)	-	516 870	223 681
	111 678 191	288 902	9 769 179	-	(380 280)	121 355 992	48 101 896	-	3 899 248	(282 039)	-	51 719 104	69 636 888
Community Assets													
Community Facilities													
Halls	15 507 743	-	-	-	-	15 507 743	7 388 015	-	678 662	-	-	8 066 677	7 441 067
Fire/Ambulance Stations	28 734	-	-	-	-	28 734	27 043	-	846	-	-	27 889	845
Libraries	3 359 967	-	-	-	-	3 359 967	367 242	-	151 832	-	-	519 074	2 840 894
Sport and Recreation Facilities													
Outdoor Facilities	11 130 172	-	-	-	(63 343)	11 066 829	3 283 671	-	477 888	(36 684)	-	3 724 875	7 341 954
	30 026 617	-	-	-	(63 343)	29 963 274	11 065 971	-	1 309 227	(36 684)	-	12 338 514	17 624 760
Other Assets													
Other Land	52 655 990	-	-	-	-	52 655 990	286 350	-	-	-	-	286 350	52 369 641
Operational Buildings													
Municipal Offices	1 299 181	-	-	-	-	1 299 181	361 965	-	58 351	-	-	420 316	878 865
Workshops	4 620	-	-	-	-	4 620	3 521	-	143	-	-	3 664	956
Computer Equipment	755 418	64 241	13 469	-	-	833 128	536 339	1 092	96 556	-	-	633 988	199 140
Furniture and Office Equipment	1 056 363	120 940	-	-	-	1 177 303	697 019	15 433	100 319	-	-	812 770	364 533
Machinery and Equipment	1 056 852	70 774	62 531	-	-	1 190 156	558 110	20 855	127 765	-	-	706 730	483 427
Transport Assets	6 643 859	-	-	-	-	6 643 859	4 206 771	-	532 953	-	-	4 739 725	1 904 134
	63 472 283	255 955	76 000	-	-	63 804 237	6 650 076	37 380	916 087	-	-	7 603 542	56 200 695
Leases													
Furniture and Office Equipment	74 069	-	-	-	-	74 069	12 345	-	-	-	-	12 345	61 724
	74 069	-	-	-	-	74 069	12 345	-	-	-	-	12 345	61 724
Total	205 251 160	544 857	9 845 178	-	(443 623)	215 197 572	65 830 287	37 380	6 124 562	(318 724)	-	71 673 505	143 524 067

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b>2.3 Property, Plant and Equipment which is in the process of being constructed or developed:</b>		
Infrastructure Assets	18 126 738	13 726 230
Electricity	500 000	-
Water Supply	17 626 738	13 726 230
Community Assets	87 613	87 613
Other Assets	5 074 300	-
<b>Total Property, Plant and Equipment under construction</b>	<b>23 288 651</b>	<b>13 813 843</b>
The movements for the year can be reconciled as follows:		
Balance at beginning of year	13 813 843	4 749 457
Expenditure during the year	18 639 407	9 406 604
Assets unbundled during the year	(8 967 516)	(342 218)
Correction of error - Note 41.1	(197 083)	-
<b>Balance at end of year</b>	<b>23 288 651</b>	<b>13 813 843</b>
<b>2.4 Property, Plant and Equipment where construction or development has been halted:</b>		
Community Assets	87 613	87 613
<b>Total</b>	<b>87 613</b>	<b>87 613</b>
The municipality requires land from Witbank Community Trust to continue with the project.		
<b>2.5 Expenditure incurred to repair and maintain Property, Plant and Equipment:</b>		
Other materials	359 728	134 364
Contracted Services	944 599	471 329
<b>Total Repairs and Maintenance</b>	<b>1 304 328</b>	<b>605 693</b>
<b>2.6 Assets pledged as security:</b>		
Leased Property, Plant and Equipment of R 48 253.54 is secured for leases as set out in Note 10.		
<b>2.7 Details of Valuation</b>		
Land and Buildings were revalued on 1 July 2019 by an independent valuer, DDP Valuations. Fair values were determined by reference to observable prices in the active market or recent market transactions on arm's length transactions. Land and Buildings are revalued every 5 years.		
Reconciliation of Revaluation Surplus:		
Opening balance	46 216 101	47 658 792
Offsetting of depreciation	(1 610 816)	(1 442 691)
Closing balance	44 605 285	46 216 101
<b>2.8 Contractual commitments for acquisition of Property, Plant and Equipment:</b>		
Approved and contracted for:	7 514 008	19 805 917
Infrastructure	7 514 008	19 770 141
Community	-	35 776
<b>Total</b>	<b>7 514 008</b>	<b>19 805 917</b>
This expenditure will be financed from:		
Government Grants	7 514 008	19 805 917
<b>Total</b>	<b>7 514 008</b>	<b>19 805 917</b>
<b>2.9 Retention incurred on Property, Plant and Equipment:</b>		
Opening Balance	1 411 096	-
	-	797 504
Infrastructure	-	797 504
Deposits	-	685 007
Infrastructure	-	685 007
Withdrawals	(1 411 096)	(71 414)
Infrastructure	(1 411 096)	(71 414)
<b>Total</b>	<b>-</b>	<b>1 411 096</b>



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b>3. INVESTMENT PROPERTY</b>		
<b>3.1 Net Carrying amount at 1 July</b>	<b>4 174 384</b>	<b>4 180 480</b>
Cost	4 369 622	4 369 622
Accumulated Depreciation	(195 238)	(189 142)
Depreciation for the year	(6 096)	(6 096)
<b>Net Carrying amount at 30 June</b>	<b>4 168 288</b>	<b>4 174 384</b>
Cost	4 369 622	4 369 622
Accumulated Depreciation	(195 238)	(195 238)
<b>3.2 Revenue from Investment Property</b>		
Revenue derived from the rental of Investment Property	52 200	79 800
The Municipality has no Investment Property which is in the process of being constructed or developed.		
The Municipality has no Investment Property where construction or development has been halted.		
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
<b>4. INTANGIBLE ASSETS</b>		
<b>4.1 Net Carrying amount at 1 July</b>	<b>63 906</b>	<b>84 066</b>
Cost	558 536	550 697
Accumulated Amortisation	(494 630)	(466 631)
Additions	3 120	7 839
Amortisation	(28 110)	(27 999)
Disposals	(7 839)	-
Amortisation written back on disposal	1 269	-
<b>Net Carrying amount at 30 June</b>	<b>32 346</b>	<b>63 906</b>
Cost	550 697	558 536
Accumulated Amortisation	(521 471)	(494 630)
The Municipality has no Intangible Assets which is in the process of being constructed or developed.		
The Municipality has no Intangible Assets that is taking a significantly longer period of time to complete than expected.		
The Municipality has no Intangible Assets where construction or development has been halted.		
No intangible asset were assed having an indefinite useful life.		
There are no internally generated intangible assets at reporting date.		
There are no intangible assets whose title is restricted.		
There are no intangible assets pledged as security for liabilities.		
There are no contractual commitments for the acquisition of intangible assets.		
<b>5. OPERATING LEASE ARRANGEMENTS</b>		
<b>5.1 The Municipality as Lessor</b>		
Operating Leases	40 792	(5 051)
Correction of Error - Note 41.5	-	5 938
<b>Total</b>	<b>40 792</b>	<b>888</b>
<u>Disclosed as follows:</u>		
Current Operating Lease Asset	40 792	888
	<b>40 792</b>	<b>888</b>
<u>Reconciliation</u>		
Balance at the beginning of the year	888	(16 736)
Correction of Error - Note 41.5	-	5 938
Movement during the year	39 904	11 685
<b>Balance at the end of the year</b>	<b>40 792</b>	<b>888</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	275 745	88 405
1 to 5 Years	417 877	26 391
More than 5 Years	-	-
<b>Total Operating Lease Arrangements</b>	<b>693 622</b>	<b>114 796</b>

This operating lease income determined from contracts that have a specific condition income and does not include leases which has a undetermined conditional income.

## 6. INVENTORY

Consumables	543 162	618 581
Housing Stock	1 272 846	1 272 846
Water	63 310	48 327
<b>Total Inventory</b>	<b>1 879 318</b>	<b>1 939 754</b>

The municipality recognised only purification costs in respect of non-purchased purified water inventory.

## 6.1 Inventories recognise as an expense during the year:

Consumables	442 357	314 761
Finished Goods		-
Housing Stock		-
Land		-
Materials and Supplies	935 210	127 563
Water	4 755 365	4 447 393
<b>Total</b>	<b>6 132 933</b>	<b>4 889 717</b>

No inventories were pledged as security for liabilities.

## 7. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Electricity	2 294 507	2 164 865
Water	63 671 320	55 414 682
Property Rentals	584 973	340 533
Waste Management	8 803 315	7 150 661
Waste Water Management	9 058 333	7 399 994
Other Arrears	203 628	203 628
Department of Transport	750 554	-
Correction of error - Note 41.1	-	750 554
<b>Total: Receivables from exchange transactions (before provision)</b>	<b>85 366 630</b>	<b>73 424 916</b>
<b>Less: Provision for Debt Impairment</b>	<b>(81 360 753)</b>	<b>(69 834 621)</b>
<b>Total: Receivables from exchange transactions (after provision)</b>	<b>4 005 877</b>	<b>3 590 295</b>

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

No Receivables have been pledged as security.

(Electricity): Ageing

Current (0 - 30 days)	691 238	699 867
31 - 60 Days	177 025	177 266
61 - 90 Days	136 770	141 722
+ 90 Days	1 289 474	1 146 010
<b>Total</b>	<b>2 294 507</b>	<b>2 164 865</b>

(Water): Ageing

Current (0 - 30 days)	1 643 402	1 555 704
31 - 60 Days	737 909	856 250
61 - 90 Days	794 485	814 149
+ 90 Days	60 495 524	52 188 579
<b>Total</b>	<b>63 671 320</b>	<b>55 414 682</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b><u>(Property Rentals): Ageing</u></b>		
Current (0 - 30 days)	77 760	49 987
31 - 60 Days	60 112	7 090
61 - 90 Days	23 117	6 567
+ 90 Days	423 985	276 890
<b>Total</b>	<b>584 973</b>	<b>340 533</b>
<b><u>(Waste Management): Ageing</u></b>		
Current (0 - 30 days)	387 783	338 372
31 - 60 Days	173 327	149 552
61 - 90 Days	168 794	145 287
+ 90 Days	8 073 411	6 517 450
<b>Total</b>	<b>8 803 315</b>	<b>7 150 661</b>
<b><u>(Waste Water Management): Ageing</u></b>		
Current (0 - 30 days)	409 905	358 196
31 - 60 Days	174 380	149 339
61 - 90 Days	167 457	144 097
+ 90 Days	8 306 592	6 748 362
<b>Total</b>	<b>9 058 333</b>	<b>7 399 994</b>
<b><u>(Other): Ageing</u></b>		
Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	203 628	203 628
<b>Total</b>	<b>203 628</b>	<b>203 628</b>
<b><u>(Total): Ageing</u></b>		
Current (0 - 30 days)	3 210 088	3 002 127
31 - 60 Days	1 322 752	1 339 496
61 - 90 Days	1 290 623	1 251 822
+ 90 Days	78 792 614	67 080 917
<b>Total</b>	<b>84 616 076</b>	<b>72 674 362</b>

**Summary of Debtors by Customer Classification**

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>	<u>Total</u>
<b>30 June 2022</b>				
Current (0 - 30 days)	2 425 599	726 989	65 345	3 217 933
31 - 60 Days	1 059 201	242 907	28 643	1 330 752
61 - 90 Days	1 102 298	164 882	23 443	1 290 623
+ 90 Days	76 622 338	1 937 902	216 529	78 776 769
<b>Sub-total</b>	<b>81 209 436</b>	<b>3 072 681</b>	<b>333 960</b>	<b>84 616 076</b>
<b>Less:</b> Provision for Debt Impairment				<b>(81 360 753)</b>
<b>Total debtors by customer classification</b>				<b>3 255 323</b>

**Summary of Debtors by Customer Classification**

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>	<u>Total</u>
<b>30 June 2021</b>				
Current (0 - 30 days)	2 380 932	542 900	78 295	3 002 127
31 - 60 Days	1 138 069	169 451	31 975	1 339 496
61 - 90 Days	1 077 381	146 608	27 833	1 251 822
+ 90 Days	65 475 083	1 379 293	226 541	67 080 917
<b>Sub-total</b>	<b>70 071 466</b>	<b>2 238 253</b>	<b>364 643</b>	<b>72 674 362</b>
<b>Less:</b> Provision for Debt Impairment				<b>(69 834 621)</b>
<b>Total debtors by customer classification</b>				<b>2 839 742</b>



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b>Reconciliation of Provision for Debt Impairment</b>		
Balance at beginning of year	69 834 621	58 792 063
Contribution to provision	10 022 724	9 602 224
VAT on provision	1 503 409	1 440 334
Balance at end of year	<u>81 360 753</u>	<u>69 834 621</u>
The total amount of this provision is R 81 360 753 and consist of:		
Services	81 360 753	69 834 621
Other Debtors	-	-
<b>Total Provision for Debt Impairment on Receivables from exchange transactions</b>	<u>81 360 753</u>	<u>69 834 621</u>
<b>Ageing of amounts past due but not impaired:</b>		
1 month past due	1 322 752	1 339 496
2+ months past due	2 683 125	2 250 799
	<u>4 005 877</u>	<u>3 590 295</u>

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

## 8. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Taxes - Rates	8 426 036	6 938 215
Other Receivables	388 287	1 194 051
Correction of error - Note 41.2	-	1 150 000
Correction of error - Note 41.2	-	(750 554)
	<u>8 814 323</u>	<u>8 531 713</u>
<b>Less: Provision for Debt Impairment</b>	<u>(7 878 413)</u>	<u>(6 176 712)</u>
<b>Total Receivables from non-exchange transactions</b>	<u>935 911</u>	<u>2 355 000</u>

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

**(Rates): Ageing**

Current (0 - 30 days)	123 168	294 891
31 - 60 Days	116 601	104 105
61 - 90 Days	113 991	98 493
+ 90 Days	8 072 277	6 440 726
<b>Total</b>	<u>8 426 036</u>	<u>6 938 215</u>

**Summary of Debtors (Rates) by Customer Classification**

	Residential	Industrial/ Commercial	National and Provincial Government	Total
30 June 2022				
Current (0 - 30 days)	259 018	52 318	13 187	324 523
31 - 60 Days	99 186	14 530	2 885	116 601
61 - 90 Days	95 794	15 373	2 823	113 991
+ 90 Days	7 420 728	359 055	91 138	7 870 921
Sub-total	<u>7 874 727</u>	<u>441 276</u>	<u>110 034</u>	<u>8 426 036</u>
<b>Less: Provision for Debt Impairment</b>				<u>(7 878 413)</u>
<b>Total debtors by customer classification</b>				<u>547 624</u>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Summary of Debtors (Rates) by Customer Classification

	Residential	Industrial/ Commercial	National and Provincial Government	Total
30 June 2021				
Current (0 - 30 days)	230 978	49 021	14 892	294 891
31 - 60 Days	86 088	15 489	2 528	104 105
61 - 90 Days	80 606	14 436	3 451	98 493
+ 90 Days	6 044 556	317 517	78 653	6 440 726
Sub-total	6 442 228	396 463	99 525	6 938 215
Less: Provision for Debt Impairment				(6 176 712)
Total debtors by customer classification				761 503

Reconciliation of Provision for Debt Impairment

	2022 R	2021 R
Balance at beginning of year	6 176 712	5 077 451
Contribution to provision	1 701 700	1 099 261
Balance at end of year	7 878 413	6 176 712

The total amount of this provision is R 7 878 413 and consist of:

Taxes	7 878 413	6 176 712
Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions	7 878 413	6 176 712

Ageing of amounts past due but not impaired:

1 month past due	116 601	104 105
2+ months past due	431 023	657 398
	547 624	761 503

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

## 9. BANK ACCOUNTS

9.1 Cash and Cash Equivalents

Current Accounts	170 749	4 869
Call Deposits and Investments	4 252 607	9 345
Cash On-hand	100	100
Total Cash and Cash Equivalents - Assets	4 423 455	14 314

The municipality has the following bank accounts:

Current Accounts

Standard Bank Limited – Account Number 04 185 0173 (Primary Bank Account)	170 749	4 869
	170 749	4 869

Call Deposits and Investments

Standard Bank Limited - (FMG (248425757010)):	795 995	1 104
Standard Bank Limited - (Build of 184 Houses (018425757017)):	173	173
Standard Bank Limited - (Municipal Infrastructure Grant (248425757015)):	2 494 736	6 783
Standard Bank Limited - (Water Service Infrastructure (248425757006)):	961 703	1 285
	4 252 607	9 345

Details of current accounts are as follow:

Standard Bank Limited – Account Number 04 185 0173 (Primary Bank Account)

Cash book balance at beginning of year	4 869	180 510
Cash book balance at end of year	170 749	4 869
Bank statement balance at beginning of year	10 019	153 413
Bank statement balance at end of year	170 849	10 019

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Details of call investment accounts are as follow:

	2022 R	2021 R
<b>Standard Bank Limited - (FMG (248425757010)):</b>		
Cash book balance at beginning of year	1 104	423 415
Cash book balance at end of year	795 995	1 104
Bank statement balance at beginning of year	1 104	423 415
Bank statement balance at end of year	795 995	1 104
<b>Standard Bank Limited - (Build of 184 Houses (018425757017)):</b>		
Cash book balance at beginning of year	173	173
Cash book balance at end of year	173	173
Bank statement balance at beginning of year	173	173
Bank statement balance at end of year	173	173
<b>Standard Bank Limited - (Municipal Infrastructure Grant (248425757015)):</b>		
Cash book balance at beginning of year	6 783	549 092
Cash book balance at end of year	2 494 736	6 783
Bank statement balance at beginning of year	6 783	549 092
Bank statement balance at end of year	2 494 736	6 783
<b>Standard Bank Limited - (Water Service Infrastructure (248425757006)):</b>		
Cash book balance at beginning of year	1 285	141 285
Cash book balance at end of year	961 703	1 285
Bank statement balance at beginning of year	1 285	141 285
Bank statement balance at end of year	961 703	1 285

#### 10. LONG-TERM BORROWINGS

Capitalised Lease Liability - At amortised cost

**Less:** Current Portion transferred to Current Liabilities

Capitalised Lease Liability - At amortised cost

**Total Long-term Borrowings**

48 254	45 765
48 254	45 765
(26 734)	(29 744)
(26 734)	(29 744)
21 519	16 021

#### 10.1 The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

Payable within one year

Payable within two to five years

Payable after five years

**Less:** Future finance obligations

**Present value of finance lease obligations**

	Minimum payments
29 946	32 982
23 546	16 491
-	-
53 492	49 473
(5 239)	(3 708)
48 254	45 765

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Nashua	IM350F	10%	0%	3 Years	2022/12/31
Nashua	IMC2000	10%	0%	3 Years	2022/12/31
Nashua	P3155DN Mono Printer	10%	0%	3 Years	2025/03/31

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Finance Leases are secured by property, plant and equipment - Note 2.

#### 11. NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites

Correction of Error - Note 41.3

**Total Non-current Provisions**

20 379 309	17 876 686
-	1 816 310
20 379 309	19 692 996



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b>11.1 Landfill Sites</b>		
Balance 1 July		
Contribution for the year	35 264 893	31 235 052
Increase/(Decrease) due to discounting	2 476 084	1 850 957
Correction of Error - Note 41.3	(511 021)	362 575
	-	1 816 310
<b>Total provision 30 June</b>	<b>37 229 956</b>	<b>35 264 893</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions	<b>(16 850 647)</b>	<b>(15 571 897)</b>
<b>Balance 30 June</b>	<b>20 379 309</b>	<b>19 692 996</b>

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Pofadder	Pella	Witbank	Melkbosrand	Sending/ Viljoensdraai
Rehabilitation Area (m²)	30 065	7 971	542	1 073	714
Preliminary and general	2 279 274	830 374	138 901	191 496	149 195
Site Clearance and Preparation	40 287	10 681	726	1 438	957
Storm Water Control Measures	1 539 882	704 692	217 745	261 981	215 680
Capping	11 878 910	3 198 115	239 284	438 814	301 358
Leachate Management	554 884	324 089	111 553	131 272	110 822
Fencing	12 336	872 415	285 467	344 929	289 304
Environmental Authorisation (Closure License)	410 800	410 800	410 800	410 800	410 800
Technical ROD	208 260	208 260	208 260	208 260	208 260
Install Groundwater Monitoring Boreholes with lockable caps (includes drilling contractor site establishment)	229 416	348 591	320 970	230 372	343 205
Landscape Architects	142 284	139 335	140 112	138 999	139 060
Topographical Survey	34 019	7 812	7 155	7 155	7 155
Contingencies	1 630 557	594 037	99 368	136 993	106 731
Engineering: Professional Fees	1 884 259	793 648	142 757	204 838	154 907
Site Supervision (Engineer's Representative)	422 329	200 516	145 969	133 360	134 051
Site Supervision (Environmental Control Officer & OHS Agent)	126 833	93 566	89 521	70 961	71 978

In terms of the licencing of the landfill-sites, the municipality will incur licensing and rehabilitation costs of R41 744 847.90 (2021: R38 748 684.48) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the year-end spot rate of borrowing.

	Estimated decommission date	2022 R	2021 R
<b>Location</b>			
Pofadder	2028	24 894 201	23 176 787
Pella	2022	8 736 930	7 929 275
Witbank	2022	2 558 587	2 419 307
Melkbosrand	2022	2 911 668	2 730 379
Sending/ Viljoensdraai	2022	2 643 462	2 492 937
		<b>41 744 848</b>	<b>38 748 684</b>

**12. NON-CURRENT EMPLOYEE BENEFITS**

Provision for Post Retirement Health Care Benefits	6 950 000	6 428 000
Provision for Long Service Awards	926 001	1 015 001
Correction of error - Note 41.4	-	(13 333)
<b>Total Non-current Employee Benefits</b>	<b>7 876 001</b>	<b>7 429 668</b>

**Post Retirement Health Care Benefits**

Balance 1 July	6 665 000	5 517 000
Contribution for the year	955 000	804 000
Expenditure for the year	(237 000)	(229 652)
Actuarial Loss/(Gain)	(233 000)	573 652
<b>Total provision 30 June</b>	<b>7 150 000</b>	<b>6 665 000</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 14	<b>(200 000)</b>	<b>(237 000)</b>
<b>Balance 30 June</b>	<b>6 950 000</b>	<b>6 428 000</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b><u>Long Service Awards</u></b>		
Balance 1 July	1 108 001	1 039 000
Contribution for the year	229 000	191 000
Expenditure for the year	(41 822)	(61 529)
Actuarial Loss/(Gain)	(17 178)	(60 471)
<b>Total provision 30 June</b>	<b>1 278 001</b>	<b>1 108 001</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 14	<b>(352 000)</b>	<b>(93 000)</b>
<b>Balance 30 June</b>	<b>926 001</b>	<b>1 015 001</b>

## 12.1 Provision for Post Retirement Health Care Benefits

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	18	18
In-service (employee) non-members	58	58
Continuation members (e.g. Retirees, widows, orphans)	4	5
<b>Total Members</b>	<b>80</b>	<b>81</b>

The liability in respect of past service has been estimated to be as follows:

In-service members	3 726 000	3 187 000
In-service non-members	1 240 000	1 073 000
Continuation members	2 184 000	2 405 000
<b>Total Liability</b>	<b>7 150 000</b>	<b>6 665 000</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2020 R	2019 R	2018 R
In-service members	2 571	2 544	3 107 234
In-service non-members	750	732	927 825
Continuation members	2 196	2 340	2 130 739
<b>Total Liability</b>	<b>5 517</b>	<b>5 616</b>	<b>6 165 798</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

LA Health  
Key Health, and  
SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R296 000, whereas the Interest Cost for the next year is estimated to be R833 000.

Key actuarial assumptions used:

	%	%
<b>i) Rate of interest</b>		
Discount rate	11.81%	10.11%
Health Care Cost Inflation Rate	8.43%	6.85%
Net Effective Discount Rate	3.12%	3.05%

**ii) Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

**iii) Normal retirement age**

The average retirement age of staff is 62 years.

**iv) Expected rate of salary increases**

2020/2021 - CPI + 1,25%

The three-year Salary and Wage Collective Agreement ends on 30 June 2021.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	7 150 000	6 665 000
Fair value of plan assets	-	-
	<u>7 150 000</u>	<u>6 665 000</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
Net liability/(asset)	<u>7 150 000</u>	<u>6 665 000</u>
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	6 665 000	5 517 000
Total expenses	718 000	574 348
Current service cost	293 000	241 000
Interest Cost	662 000	563 000
Benefits Paid	(237 000)	(229 652)
Actuarial (gains)/losses	(233 000)	573 652
Present value of fund obligation at the end of the year	<u>7 150 000</u>	<u>6 665 000</u>
Reconciliation of fair value of plan assets:		
Fair value of plan assets at the beginning of the year	-	-
Contributions	-	-
Actuarial (gains)/losses	-	-
Fair value of plan assets at the end of the year	<u>-</u>	<u>-</u>

## Sensitivity Analysis on the Accrued Liability on 30 June 2022

	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Assumption			
Central Assumptions	4.966	2.184	7.150

The effect of movements in the assumptions are as follows:

	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Assumption					
Health care inflation rate	1%	5.790	2.376	8.166	14.00%
Health care inflation rate	-1%	4.293	2.015	6.308	-12.00%
Discount rate	1%	4.317	2.022	6.339	-11.00%
Discount rate	-1%	5.770	2.371	8.141	14.00%
Post-employment mortality	+1 year	4.829	2.101	6.930	-3.00%
Post-employment mortality	-1 year	5.102	2.267	7.369	3.00%
Average retirement age	-1 year	5.371	2.184	7.555	6.00%
Continuation of membership at retirement	-10%	4.318	2.184	6.502	-9.00%

## Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2023

	Current Service Cost (R)	Interest Cost (R)	Total (R)
Assumption			
Central Assumptions	296 000	833 000	1 129 000

The effect of movements in the assumptions are as follows:

	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Assumption					
Health care inflation rate	1%	357 000	953 000	1 310 000	16%
Health care inflation rate	-1%	249 000	734 000	983 000	-13%
Discount rate	1%	252 000	800 000	1 052 000	-7%
Discount rate	-1%	352 000	870 000	1 222 000	8%
Post-employment mortality	+1 year	288 000	807 000	1 095 000	-3%
Post-employment mortality	-1 year	304 000	859 000	1 163 000	3%
Average retirement age	-1 year	305 000	881 000	1 186 000	5%
Continuation of membership at retirement	-10%	258 000	756 000	1 014 000	-10%



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 Rm	2021 Rm
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	0.168	0.032
Assets: Gain / (loss)	-	-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2020 Rm	2019 Rm	2018 Rm
Liabilities: (Gain) / loss	0.388	0.102	0.155
Assets: Gain / (loss)	-	-	-

## 12.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 76 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R138 000 whereas the Interest Cost for the next year is estimated to be R121 000.

Key actuarial assumptions used:

	%	%
i) Rate of interest		
Discount rate	10.98%	9.20%
General Salary Inflation (long-term)	7.33%	5.78%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	3.40%	3.23%

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1 278 001	1 108 001
Fair value of plan assets	-	-
	<u>1 278 001</u>	<u>1 108 001</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present value of unfunded obligations	-	-
Net liability/(asset)	<u>1 278 001</u>	<u>1 108 001</u>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1 108 001	1 039 000
Total expenses	135 595	129 472
Current service cost	131 000	121 000
Interest Cost	98 000	70 000
Benefits Paid	(93 405)	(61 529)
Actuarial (gains)/losses	34 405	(60 471)
Present value of fund obligation at the end of the year	<u>1 278 001</u>	<u>1 108 001</u>

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-	-
Contributions	-	-
Actuarial (gains)/losses	-	-
Fair value of plan assets at the end of the year	<u>-</u>	<u>-</u>

Sensitivity Analysis on the Accrued Liability on 30 June 2022

	Change	Liability (Rm)	% change
Assumption		1 278.000	
Central assumptions		1 346.000	5%
General earnings inflation rate	1%	1 215.000	-5%
General earnings inflation rate	-1%	1 212.000	-5%
Discount rate	1%	1 351.000	6%
Discount rate	-1%	1 395.000	9%
Average retirement age	-2 yrs	1 101.000	-14%
Average retirement age	2 yrs	1 042.000	-18%
Withdrawal rates	x200%	1 441.000	13%
Withdrawal rates	x50%		

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2023

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Central Assumptions	138 000	121 000	259 000

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
General earnings inflation rate	1%	148 000	129 000	277 000	7%
General earnings inflation rate	-1%	129 000	115 000	244 000	-6%
Discount rate	1%	130 000	125 000	255 000	-2%
Discount rate	-1%	147 000	118 000	265 000	2%
Average retirement age	+2 year	150 000	134 000	284 000	10%
Average retirement age	-2 year	120 000	105 000	225 000	-13%
Withdrawal rates	x200%	104 000	96 000	200 000	-23%
Withdrawal rates	x50%	162 000	139 000	301 000	16%
				2022 Rm	2021 Rm

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss	1.278	1.108
Assets: Gain / (loss)	-	-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2020 Rm	2019 Rm	2018 Rm
Liabilities: (Gain) / loss	1.039	1.047	0.706
Assets: Gain / (loss)	-	-	-

The municipality performed their first actuarial valuation on 30 June 2015. Thus there are no experience adjustment figures available on or before 30 June 2015 to fully comply with GRAP 25.

## 12.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

LA RETIREMENT FUND (PREVIOUSLY CAPE JOINT PENSION FUND)

The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2020 revealed that the fund has a funding level of 100,0% (30 June 2019 - 100,7%).

Contributions paid recognised in the Statement of Financial Performance

1 697 352      1 785 258

DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

National fund for Municipal Workers	80 608	69 718
SAMWU National Provident Fund	683 950	712 836
	764 557	782 554

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b>13. CONSUMER DEPOSITS</b>		
Electricity	201 704	185 205
Rental Properties	10 410	9 360
Water	17 300	1 000
Tenders	15 050	14 050
<b>Total Consumer Deposits</b>	<b>244 464</b>	<b>209 615</b>
Consumer deposits are paid by consumers on application for new and electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, Council utilizes the deposit as payment for the outstanding account.		
<b>14. CURRENT EMPLOYEE BENEFITS</b>		
Staff Bonuses	648 919	607 805
Staff Leave	2 912 159	2 749 837
Current Portion of Non-Current Provisions	552 000	330 000
Current Portion of Post Retirement Benefits - Note 12	200 000	237 000
Current Portion of Long-Service Provisions - Note 12	352 000	93 000
<b>Total Provisions</b>	<b>4 113 077</b>	<b>3 687 641</b>
The movement in current provisions are reconciled as follows:		
<b>14.1 Staff Bonuses</b>		
Balance at beginning of year	607 805	521 889
Contribution to current portion	1 338 165	1 351 852
Expenditure incurred	(1 297 051)	(1 265 937)
<b>Balance at end of year</b>	<b>648 919</b>	<b>607 805</b>
Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.		
<b>14.2 Staff Leave</b>		
Balance at beginning of year	2 749 837	2 278 950
Contribution to current portion	273 629	555 778
Expenditure incurred	(111 307)	(84 892)
<b>Balance at end of year</b>	<b>2 912 159</b>	<b>2 749 837</b>
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.		
<b>15. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade Payables	58 170 185	47 497 535
Advance Payments	258 361	211 143
Control, Clearing and Interface Accounts	1 073 003	1 002 723
Other Payables	422 326	370 423
Department of Transport	5 421 446	5 139 559
Retentions	-	1 411 096
Correction of error - Note 41.4	-	(1 041 371)
<b>Total Trade Payables</b>	<b>65 345 322</b>	<b>54 591 107</b>
Payables are being recognised net of any discounts.		
The carrying value of trade and other payables approximates its fair value.		
All payables are unsecured.		
<b>16. UNSPENT TRANSFERS AND SUBSIDIES</b>		
Unspent Transfers and Subsidies	6 707 813	2 663 128
National Government Grants	6 399 697	2 407 165
Provincial Government Grants	-	-
District Municipality	-	-
Other Sources	308 116	255 963
<b>Less: Unpaid Transfers and Subsidies</b>	<b>-</b>	<b>-</b>
National Government Grants	-	-
Provincial Government Grants	-	-
District Municipality	-	-
Other Sources	-	-
<b>Total Unspent Transfers and Subsidies</b>	<b>6 707 813</b>	<b>2 663 128</b>



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

See appendix "E" for reconciliation of grants from other spheres of government.

The Unspent Grants are cash-backed by term deposits.

The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

	2022 R	2021 R
<b>17. TAXES</b>		
17.1 VAT Payable	497 029	-
VAT Output in Suspense	(7 446 708)	(6 574 425)
<b>Less:</b> Contribution to Provision for Doubtful Debt Impairment	9 401 797	7 898 388
<b>Total VAT Payable</b>	<b>2 452 118</b>	<b>1 323 963</b>
17.2 VAT Receivable	251 950	(183 381)
VAT Input in Suspense	7 460 775	6 329 595
<b>Total VAT Receivable</b>	<b>7 712 726</b>	<b>6 146 214</b>
<b>17.3 Net VAT (Payable)/Receivable</b>	<b>10 164 843</b>	<b>7 470 177</b>

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

#### 18. SHORT-TERM BORROWINGS

The Municipality has no short term borrowings.

#### 19. NET ASSET RESERVES

##### RESERVES

Revaluation Reserve

**Total Net Asset Reserve and Liabilities**

44 605 285	46 216 101
<b>44 605 285</b>	<b>46 216 101</b>
<b>44 605 285</b>	<b>46 216 101</b>

19.1 The Revaluation Reserve is created by surplus arising from the revaluation of property, plant and equipment.

#### 20. PROPERTY RATES

##### Actual

##### Rateable Land and Buildings

Business and Commercial Property  
Industrial Property  
Mining Properties  
Municipal Properties  
Public Benefit Organisations  
Public Service Infrastructure Properties  
Residential Properties  
State-owned Properties  
Agricultural Property  
Other Categories

21 489 722 20 364 436

1 610 323	1 525 857
41 838	39 644
3 743 400	3 547 050
120 412	114 110
216 866	205 516
9 452	8 970
3 997 489	3 788 280
357 063	338 376
11 371 771	10 776 630
21 110	20 003
(11 875 717)	(11 255 775)
<b>9 614 005</b>	<b>9 108 660</b>

**Less: Revenue Forgone**

**Total Property Rates**

##### Valuations - 1 July 2020

##### Rateable Land and Buildings

Business and Commercial Property  
Industrial Property  
Mining Properties  
Private roads  
Public Benefit Organisations  
Public Open spaces  
Public Service Infrastructure Properties  
Residential Properties  
State-owned Properties  
Agricultural Property

1 655 397 500 1 655 397 500

111 133 000	111 133 000
2 850 000	2 850 000
255 000 000	255 000 000
4 977 000	4 977 000
17 461 000	17 461 000
4 417 000	4 417 000
3 049 000	3 049 000
312 465 000	312 465 000
28 444 000	28 444 000
915 601 500	915 601 500
(958 996 574)	(959 105 780)
<b>696 400 926</b>	<b>696 291 720</b>

**Less: Revenue Forgone**

**Total Assessment Rates**

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

**Basic Rate**

Residential	0.01242c/R	0.01177c/R
Commercial	0.0146c/R	0.01391c/R
Industrial, Agricultural and Casino	0.0009933c/R	0.0009416c/R

Rates are levied annually and monthly. Monthly rates are payable by the 20th of the following month. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential -	The first R25 000 on the valuation is exempted.
State -	Nil %

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

**21. GOVERNMENT GRANTS AND SUBSIDIES****Government Grants and Subsidies - Operating**

	2022 R	2021 R
Equitable Share	22 206 047	21 805 810
Expanded Public Works Programme Integrated Grant	-	880 715
Local Government Financial Management Grant	1 839 387	1 774 238
Municipal Infrastructure Grant	1 516 515	-
Libraries, Archives and Museums	1 100 000	1 054 214
LG SETA	-	290 109

**Government Grants and Subsidies - Capital**

	2022 R	2021 R
Municipal Infrastructure Grant	10 110 104	8 351 194
Energy Efficiency and Demand Side Management	500 000	-
Water Services Infrastructure Grant	3 188 415	-

**Total Government Grants and Subsidies**

40 460 468	34 156 280
------------	------------

Included in above are the following grants and subsidies received:

**Unconditional**

	2022 R	2021 R
Equitable Share	22 206 047	21 805 810

**Conditional**

	2022 R	2021 R
Energy Efficiency and Demand Side Management	500 000	-
Expanded Public Works Programme Integrated Grant	-	880 715
Local Government Financial Management Grant	1 839 387	1 774 238
Libraries, Archives and Museums	1 100 000	1 054 214
LG SETA	-	290 109
Municipal Infrastructure Grant	11 626 619	8 351 194
Water Services Infrastructure Grant	3 188 415	-

**Total Government Grants and Subsidies**

40 460 468	34 156 280
------------	------------

Revenue recognised per vote as required by Section 123 (c) of the MFMA:

	2022 R	2021 R
Equitable share	22 206 047	21 805 810
Finance and Administration	1 839 387	2 064 347
Community and Social Services	1 100 000	1 054 214
Energy Sources	500 000	-
Water Management	14 815 034	8 351 194
Waste Water Management	-	880 715
<b>Total Government Grants and Subsidies</b>	<b>40 460 468</b>	<b>34 156 280</b>

Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the forthcoming 3 financial years.

**21.1 Equitable Share**

	2022 R	2021 R
Opening balance	1 050 000	-
Grants received	21 156 047	22 855 810
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(22 206 047)	(21 805 810)
Conditions met - Capital	-	-
Conditions met - Capital Retention	-	-
<b>Conditions still to be met</b>	<b>-</b>	<b>1 050 000</b>

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b>21.2 Local Government Financial Management Grant (FMG)</b>		
Opening balance	1 025 762	-
Grants received	2 900 000	2 800 000
Interest received	-	-
Repaid to National Revenue Fund	(1 025 762)	-
Conditions met - Operating	(1 839 387)	(1 774 238)
Conditions met - Capital	-	-
Conditions met - Capital Retention	-	-
Conditions met - Own revenue	-	-
Conditions still to be met	<u>1 060 613</u>	<u>1 025 762</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

<b>21.3 Municipal Systems Improvement Grant (MSIG)</b>		
Opening balance	212 118	212 118
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions met - Capital Retention	-	-
Conditions met - Own revenue	-	-
Conditions still to be met	<u>212 118</u>	<u>212 118</u>

The Municipal Systems Improvement Grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

<b>21.4 Municipal Infrastructure Grant (MIG)</b>		
Opening balance	-	2 758 034
Grants received	14 942 000	5 658 000
Interest received	-	-
Repaid to National Revenue Fund	-	(64 839)
Conditions met - Operating	-	-
Conditions met - Capital	(10 110 104)	(8 351 194)
Conditions met - Capital Retention	-	-
Vat transferred to revenue	(1 516 515)	-
Conditions still to be met	<u>3 315 381</u>	<u>(0)</u>

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

<b>21.5 Library Grant</b>		
Opening balance	-	54 214
Grants received	1 100 000	1 000 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(1 100 000)	(1 054 214)
Conditions met - Capital	-	-
Conditions met - Capital Retention	-	-
Conditions met - Own revenue	-	-
Conditions still to be met	<u>-</u>	<u>-</u>

The grant was used to provide Library services to the community.

<b>21.6 Expanded Public Works Programme</b>		
Opening balance	119 285	83 092
Correction of Error	-	-
Grants received	-	1 000 000
Interest received	-	-
Repaid to National Revenue Fund	(119 285)	(83 092)
Conditions met - Operating	-	(880 715)
Conditions met - Capital	-	-
Conditions met - Capital Retention	-	-
Conditions met - Own revenue	-	-
Conditions still to be met	<u>(0)</u>	<u>119 285</u>

The grant was used for job creation.



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b>21.7 Water Services Infrastructure Grant</b>		
Opening balance	-	445 879
Correction of Error	-	-
Grants received	5 000 000	-
Interest received	-	-
Repaid to National Revenue Fund	-	(445 879)
Conditions met - Operating	-	-
Conditions met - Capital	(3 188 415)	-
Conditions met - Capital Retention	-	-
Conditions met - Own revenue	-	-
Conditions still to be met	<u>1 811 585</u>	<u>-</u>
The grant was used for water infrastructure projects.		
<b>21.8 LG SETA</b>		
Opening balance	255 963	135 267
Correction of Error	-	-
Grants received	52 153	410 805
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	(290 109)
Conditions met - Capital	-	-
Conditions met - Capital Retention	-	-
Conditions met - Own revenue	-	-
Conditions still to be met	<u>308 116</u>	<u>255 963</u>
The grant was used to provide training to employees.		
<b>21.9 Total Grants</b>		
Opening balance	2 663 128	3 688 603
Correction of Error	-	-
Grants received	45 650 200	33 724 616
Interest received	-	-
Repaid to National Revenue Fund	(1 145 047)	(593 810)
Conditions met - Operating	(25 145 434)	(25 805 086)
Conditions met - Capital	(13 798 519)	(8 351 194)
Conditions met - Capital Retention	-	-
Vat transferred to revenue	(1 516 515)	-
Conditions still to be met/(Grant expenditure to be recovered)	<u>6 707 813</u>	<u>2 663 128</u>
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	6 707 813	2 663 128
Unpaid Conditional Government Grants and Receipts	-	-
<b>Total</b>	<u>6 707 813</u>	<u>2 663 128</u>
<b>22. AVAILABILITY CHARGES</b>		
Electricity	53 490	46 680
Water	-	-
<b>Total Availability Charges</b>	<u>53 490</u>	<u>46 680</u>
<b>23. LICENCES AND PERMITS</b>		
Trading	2 300	1 492
Road and Transport	37 989	35 365
<b>Total Licences and Permits</b>	<u>40 289</u>	<u>36 857</u>
Disclosed as follows:		
Revenue from Non-Exchange Transactions	-	-
Revenue from Exchange Transactions	40 289	36 857
<b>Total Licences and Permits</b>	<u>40 289</u>	<u>36 857</u>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b>24. SERVICE CHARGES</b>		
Electricity	10 231 554	8 389 574
Service Charges	11 178 119	9 189 503
<u>Less:</u> Revenue Forgone	(946 565)	(799 929)
Water	6 390 685	6 843 401
Service Charges	11 070 149	11 400 473
<u>Less:</u> Revenue Forgone	(4 679 464)	(4 557 072)
Waste Management	1 740 746	1 587 517
Service Charges	4 815 159	4 499 895
<u>Less:</u> Revenue Forgone	(3 074 413)	(2 912 378)
Waste Water Management	1 842 987	1 671 589
Service Charges	4 711 157	4 410 636
<u>Less:</u> Revenue Forgone	(2 868 170)	(2 739 047)
<b>Total Service Charges</b>	<b>20 205 972</b>	<b>18 492 081</b>
Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
<b>25. SALES OF GOODS AND RENDERING OF SERVICES</b>		
Application Fees for Land Usage	36 483	55 750
Building Plan Approval	21 894	11 046
Clearance Certificates	2 995	2 429
Photocopies and Faxes	972	622
Scrap, Waste & Other Goods	5 059	9 724
Valuation Services	859	930
<b>Total Sales of Goods and Rendering of Services</b>	<b>68 261</b>	<b>80 501</b>
<b>26. RENTAL FROM FIXED ASSETS</b>		
Property, Plant and Equipment	389 791	246 507
Correction of error - Note 41.5	-	5 938
<b>Total Rental from Fixed Assets</b>	<b>389 791</b>	<b>252 445</b>
<b>27. INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Bank	214 102	47 087
<b>Total Interest Earned - External Investments</b>	<b>214 102</b>	<b>47 087</b>
<b>28. INTEREST EARNED - EXCHANGE TRANSACTIONS</b>		
Trade Receivables	4 207 467	3 311 773
<b>Total Interest Earned - Outstanding Receivables</b>	<b>4 207 467</b>	<b>3 311 773</b>
<b>29. OPERATIONAL REVENUE</b>		
Merchandising, Jobbing and Contracts	-	-
Registration Fees	3 698	2 888
Settlement by National Treasury	2 493 651	1 322 004
Correction of Error - Note 41.4	-	2 204 705
<b>Total Operational Revenue</b>	<b>2 497 349</b>	<b>3 529 596</b>
Disclosed as follows:		
Revenue from Exchange Transactions	3 698	2 888
Revenue from Non-Exchange Transactions	2 493 651	3 526 709
<b>Total Operational Revenue</b>	<b>2 497 349</b>	<b>3 529 596</b>

	2022 R	2021 R
<b>30. EMPLOYEE RELATED COSTS</b>		
Basic Salaries and Wages	20 089 183	19 353 591
Pension and UIF Contributions	2 575 572	2 469 759
Medical Aid Contributions	519 619	541 643
Overtime	1 670 580	1 677 557
Bonuses	1 338 165	1 351 852
Motor Vehicle Allowance	316 886	324 265
Cell Phone Allowance	46 103	17 683
Housing Allowances	34 722	34 722
Other benefits and allowances	559 938	605 893
Payments in lieu of leave	273 629	555 778
Workmen's Compensation Fund	122 361	164 230
Correction of Error - Note 41.4	-	13 333
Post-retirement Benefit Obligations	424 000	362 000
Medical - Note 12.1	293 000	241 000
Long Service Awards - Note 12.2	131 000	121 000
	<b>27 970 760</b>	<b>27 472 308</b>
<b>Less:</b> Employee Costs allocated elsewhere	-	-
Cost Capitalised to PPE	-	-
Cost allocated to Inventory	-	-
<b>Total Employee Related Costs</b>	<b>27 970 760</b>	<b>27 472 308</b>
<b>KEY MANAGEMENT PERSONNEL</b>		
Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>		
<i>Remuneration of the Municipal Manager - Mr OJ Isaacs</i>		
Basic Salary	1 087 143	1 116 754
Cell Phone Allowance	12 000	12 000
Other benefits and allowances	76 100	88 323
<b>Total</b>	<b>1 175 243</b>	<b>1 217 077</b>
<i>Remuneration of the Chief Financial Officer - Mr PJ van der Merwe</i>		
Basic Salary	594 691	429 887
Pension and UIF Contributions	109 170	79 164
Medical Aid Contributions	57 277	55 593
Annual Bonus	-	35 824
Motor Vehicle Allowance	136 622	121 435
Cell Phone Allowance	10 421	5 683
<b>Total</b>	<b>908 181</b>	<b>727 586</b>
<i>Remuneration of Director : Corporate Services - Mr JJ Liebenberg</i>		
Basic Salary	815 063	840 265
Acting Municipal Manager	-	19 564
Pension and UIF Contributions	2 125	-
Cell Phone Allowance	9 000	-
Other benefits and allowances	57 054	60 318
<b>Total</b>	<b>883 243</b>	<b>920 147</b>
<i>Remuneration of Director : Technical Services - Mr H Christians</i>		
Basic Salary	815 063	834 665
Pension and UIF Contributions	2 125	-
Cell Phone Allowance	9 000	-
Other benefits and allowances	57 054	68 376
<b>Total</b>	<b>883 243</b>	<b>903 041</b>
<b>Total Key Management Remuneration</b>		
Basic Salary	3 311 960	3 221 571
Acting Municipal Manager	-	19 564
Pension and UIF Contributions	113 421	79 164
Medical Aid Contributions	57 277	55 593
Annual Bonus	-	35 824
Motor Vehicle Allowance	136 622	121 435
Cell Phone Allowance	40 421	17 683
Other benefits and allowances	190 209	217 018
	<b>3 849 909</b>	<b>3 767 851</b>



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b>33. DEPRECIATION AND AMORTISATION</b>		
Property, Plant and Equipment	5 155 123	6 124 562
Intangible Assets	28 110	27 999
Investment Property carried at cost	6 096	6 096
<b>Total Depreciation and Amortisation</b>	<b>5 189 330</b>	<b>6 158 657</b>
<b>34. FINANCE COSTS</b>		
Long-term Borrowings	4 086	6 057
Non-current Provisions	2 476 084	1 850 957
Non-current Employee Benefits	760 000	633 000
Payables	1 537 679	799 513
Correction of error - Note 41.3	-	106 223
<b>Total Finance Costs</b>	<b>4 777 849</b>	<b>3 395 749</b>
<b>35. BULK PURCHASES</b>		
Electricity	11 654 098	9 451 292
Water	(5 035 359)	(2 873 980)
<b>Total Bulk Purchases</b>	<b>6 618 739</b>	<b>6 577 312</b>
<b>36. OPERATIONAL COSTS</b>		
Advertising, Publicity and Marketing	88 461	70 947
Audit Fees	3 042 410	2 450 835
Bank Charges, Facility and Card Fees	211 714	199 163
Commission	564 426	449 091
Communication	287 836	295 412
Entertainment	32 026	6 966
Insurance Underwriting	357 800	393 430
Licences	86 233	118 788
Municipal Services	749 365	1 220 304
Printing, Publications and Books	494	2 680
Professional Bodies, Membership and Subscription	512 327	525 010
Remuneration to Ward Committees	172 000	186 500
Skills Development Fund Levy	251 410	192 468
Travel and Subsistence	753 268	418 726
Uniform and Protective Clothing	83 600	95 446
Wet Fuel	758 971	556 961
<b>Total Operational Costs</b>	<b>7 952 339</b>	<b>7 182 727</b>
<b>37. REVERSAL OF IMPAIRMENT LOSS/(IMPAIRMENT LOSS) ON RECEIVABLES</b>		
Receivables from Exchange Transactions - Note 7	(10 022 724)	9 602 224
Receivables from Non-exchange Revenue - Note 8	(1 701 700)	1 099 261
<b>Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables</b>	<b>(11 724 424)</b>	<b>10 701 485</b>
<b>38. GAINS/(LOSS) ON SALE OF FIXED ASSETS</b>		
Intangible Assets	(6 570)	-
Property, Plant and Equipment	(45 341)	(124 899)
<b>Total Gains/ (Loss) on Sale of Fixed Assets</b>	<b>(51 910)</b>	<b>(124 899)</b>
<b>39. WATER LOSSES</b>		
Real Losses	5 035 359	2 873 980
<b>Total Water Losses</b>	<b>5 035 359</b>	<b>2 873 980</b>
<b>40. RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS AS A RESULT OF THE IMPLEMENTATION OF mSCOA</b>		

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. New mSCOA Charts are issued annually, resulting into an annual reclassification of items in the financial statements. The reclassification of 2020 audited amounts can be summarised as follows:

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

31. REMUNERATION OF COUNCILLORS	2022 R	2021 R
PA van Heerden	302 129	850 466
S April	106 395	299 491
A A van Wyk	114 600	299 491
S S Brandt	299 149	299 491
EP Cloete	634 137	299 491
B Josop	106 395	299 491
S Baker	299 149	186 683
BJ Bock	429 726	-
EJ Mowers	192 755	-
NC Masebeni	242 713	-
DL Jano	242 713	-
CA Waterboer	192 755	-
O Adams	173 883	-
T Wagae	192 755	-
HD Nel	192 755	-
<b>Total Councillors' Remuneration</b>	<b>3 722 007</b>	<b>2 534 604</b>

Remuneration paid to Councillors can be summarised as follow:

	Salary	Travel Allowance	Other Allowances	Contributions	Total
Mayor	704 848	71 589	42 768	-	819 205
Speaker	392 065	-	26 995	-	419 060
Chief Whip	164 178	-	28 576	-	192 755
Executive Committee Members	410 103	-	53 990	-	464 093
Councillors	1 416 104	139 951	270 840	-	1 826 895
<b>Total Councillors' Remuneration</b>	<b>3 087 298</b>	<b>211 540</b>	<b>423 168</b>	<b>-</b>	<b>3 722 007</b>

**In-kind Benefits**

The Mayor is a full-time Councillor. She is provided with an office and secretarial support at the cost of the Municipality. The Mayor may utilise official Council transportation when engaged in official duties.

Councillors receive the use of tablets/Laptops upon commencing their term in order to perform their daily tasks. Upon completion of this term this must be handed back because it is municipal property.

32. CONTRACTED SERVICES	2022 R	2021 R
Outsourced Services	30 194	894 070
Cleaning Services	30 194	13 356
Personnel and Labour	-	880 715
Consultants and Professional Services	1 126 812	1 080 975
Business and Advisory	1 081 158	962 379
Business and Financial Management	1 065 127	869 766
Human Resources	-	8 250
Medical Examinations	16 031	65 872
Valuer and Assessors	-	18 491
Laboratory Services	23 841	22 661
Water	23 841	22 661
Legal Cost	21 812	95 935
Legal Advice and Litigation	21 812	95 935
Contractors	1 023 622	745 255
Catering Services	38 565	32 797
Maintenance of Buildings and Facilities	17 154	10 202
Maintenance of Equipment	398 996	237 870
Maintenance of Unspecified Assets	528 449	235 367
Correction of Error - Note 41.1	-	197 083
Safeguard and Security	40 458	31 937
<b>Total Contracted Services</b>	<b>2 180 628</b>	<b>2 720 301</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b>41.1 Property, Plant and Equipment</b>		
Balance previously reported	-	143 016 590
Cost	-	544 857
Correction of IGRAP2 adjustment in 2020/21 - Note 2	-	485 985
Correction WIP adjustment in 2020/21 - Note 2	-	(197 083)
Correction of first time recognition Computer Equipment in periods before 1 July 2020 - Note 2	-	64 241
Correction of first time recognition Furniture and Office Equipment in periods before 1 July 2020 - Note 2	-	120 940
Correction of first time recognition Machinery and Equipment in periods before 1 July 2020 - Note 2	-	70 774
Accumulated Depreciation	-	(37 380)
Correction of Depreciation on Computer Equipment in periods before 1 July 2020 - Note 2	-	(1 092)
Correction of Depreciation on Furniture and Office Equipment in periods before 1 July 2020 - Note 2	-	(15 433)
Correction of Depreciation on Machinery and Equipment in periods before 1 July 2020 - Note 2	-	(20 855)
<b>Restated Balance</b>	<b>-</b>	<b>143 524 067</b>
Assets recognised incorrectly in prior years.		
<b>41.7 Non-Current Receivables from Exchange Transactions</b>		
Balance previously reported		2 839 742
Correction of Other Receivables - reclassification of Department of Transport to Exchange Receivables - Note 7		750 554
<b>Restated Balance</b>	<b>-</b>	<b>3 590 295</b>
Reclassification of Other Receivables.		
<b>41.2 Non-Current Receivables from Non-Exchange Transactions</b>		
Balance previously reported		1 955 554
Correction of Other Receivable not recognise in 2020/2021 - Note 8		1 150 000
Correction of Other Receivables - reclassification of Department of Transport to Exchange Receivables - Note 8		(750 554)
<b>Restated Balance</b>	<b>-</b>	<b>2 355 000</b>
Capital contribution from Black Mountain Mining not recognise in 2020/2021		
<b>41.3 Non-Current Provisions</b>		
Balance previously reported	-	33 448 584
Correction of provision for rehabilitation cost in periods before 1 July 2020 - Note 11	-	1 224 102
Correction of finance cost in 2020/2021 - Note 34	-	106 223
Correction of IGRAP2 adjustment in 2020/21 - Note 2	-	485 985
<b>Restated Balance</b>	<b>-</b>	<b>35 264 893</b>
Correction of provision for rehabilitation of landfill-sites.		
<b>41.4 Trade and Other Payables from Exchange Transactions</b>		
Balance previously reported	-	55 632 479
Correction of Retentions in 2020/2021 - Note 15	-	(1 054 705)
Correction of Sundry Creditors in 2020/2021 - Note 15	-	13 333
<b>Restated Balance</b>	<b>-</b>	<b>54 591 107</b>
Correction of prior year payable accounts.		
<b>41.5 Operating Lease Liability</b>		
Balance previously reported	-	(5 051)
Correction of operating lease transactions in 2020/2021 - Note 12	-	5 938
<b>Restated Balance</b>	<b>-</b>	<b>888</b>
Correction of prior year accounts.		
<b>41.6 Accumulated Surplus/(Deficit) - 1 July 2020</b>		
Correction of provision for rehabilitation cost in periods before 1 July 2020 - Note 41.3	-	(1 224 102)
Correction of first time recognition Computer Equipment in periods before 1 July 2020 - Note 2	-	64 241
Correction of first time recognition Furniture and Office Equipment in periods before 1 July 2020 - Note 2	-	120 940
Correction of first time recognition Machinery and Equipment in periods before 1 July 2020 - Note 2	-	70 774
Correction of Depreciation on Computer Equipment in periods before 1 July 2020 - Note 2	-	(1 092)
Correction of Depreciation on Furniture and Office Equipment in periods before 1 July 2020 - Note 2	-	(15 433)
Correction of Depreciation on Machinery and Equipment in periods before 1 July 2020 - Note 2	-	(20 855)
<b>Total</b>	<b>-</b>	<b>(1 005 527)</b>



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 41.7 Changes to Statement of Financial Performance

Movement on operating account as a result of GRAP standards not implemented in prior years:

	Note	Balance previously reported	Adjustments	Restated Balance
<b>Revenue</b>				
Property Rates		9 108 660	-	9 108 660
Surcharges and Taxes		30 255	-	30 255
Government Grants and Subsidies		34 156 280	-	34 156 280
Availability Charges		46 680	-	46 680
Fines, Penalties and Forfeits		28 150	-	28 150
Interest Earned - Non-exchange Transactions		364 209	-	364 209
Service Charges		18 492 081	-	18 492 081
Sales of Goods and Rendering of Services		80 501	-	80 501
Rental from Fixed Assets	41.5	246 507	5 938	252 445
Interest Earned - External Investments		47 087	-	47 087
Interest Earned - Exchange Transactions		3 311 773	-	3 311 773
Licences and Permits from Exchange Transactions		36 857	-	36 857
Agency Services		31 085	-	31 085
Operational Revenue	41.4	1 324 892	2 204 705	3 529 596
<b>Total</b>		<b>67 305 018</b>	<b>2 210 643</b>	<b>69 515 661</b>
<b>Expenditure</b>				
Employee related costs	41.4	(27 458 975)	(13 333)	(27 472 308)
Remuneration of Councillors		(2 534 604)	-	(2 534 604)
Contracted Services	41.2	(2 523 217)	(197 083)	(2 720 301)
Depreciation and Amortisation		(6 158 657)	-	(6 158 657)
Actuarial Losses		(513 181)	-	(513 181)
Finance Costs	41.2	(3 289 527)	(106 223)	(3 395 749)
Bulk Purchases		(6 577 312)	-	(6 577 312)
Inventory Consumed		(4 889 717)	-	(4 889 717)
Operational Costs		(7 182 727)	-	(7 182 727)
<b>Total</b>		<b>(61 127 916)</b>	<b>(316 639)</b>	<b>(61 444 555)</b>
<b>Gains and Losses</b>				
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value		(38 400)	-	(38 400)
Reversal of Impairment Loss/(Impairment Loss) on Receivables		(10 701 485)	-	(10 701 485)
Gains/(Loss) on Sale of Fixed Assets		(124 899)	-	(124 899)
Water Losses		(2 873 980)	-	(2 873 980)
<b>Total</b>		<b>(13 738 764)</b>	<b>-</b>	<b>(13 738 764)</b>
<b>Net Surplus/(Deficit) for the year</b>		<b>(7 561 663)</b>	<b>1 894 004</b>	<b>(5 667 659)</b>

2022  
R2021  
R

## 42. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

Surplus/(Deficit) for the year	1 405 559	(5 667 659)
<b>Adjustments for:</b>		
Depreciation and Amortisation	5 189 335	6 158 657
Loss/(Gain) on Sale of Fixed Assets	51 910	124 899
Impairment Loss/(Reversal of Impairment Loss)	-	33 724 616
Contributed Property, Plant and Equipment	(4 200 000)	-
Government Grants and Subsidies received	45 650 200	(34 156 280)
Government Grants and Subsidies recognised as revenue	(41 605 515)	(593 810)
Contribution to provisions – Non-Current Provisions	2 476 084	1 957 179
Contribution from/to provisions - Non-Current Employee Benefits	918 511	556 802
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses	-	513 181
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains	(250 178)	-
Contribution from/to - Current Employee Benefits	190 103	703 820
Contribution to provisions – Bad Debt	11 724 424	10 701 485
Operating lease income accrued	(39 904)	-
Operating lease expenses accrued	-	(11 685)
Operating Surplus/(Deficit) before changes in working capital	21 510 530	14 011 204
Changes in working capital	(2 566 082)	(5 774 098)
Increase/(Decrease) in Trade and Other Payables	10 754 215	6 872 617
Increase/(Decrease) in Taxes	(2 694 666)	(801 240)
(Increase)/Decrease in Inventory	60 437	(2 997)
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(10 438 305)	(10 322 952)
(Increase)/Decrease in Other Receivables from Non-Exchange Transactions	(282 611)	(1 519 526)
(Increase)/Decrease in Consumer Deposits	34 849	-
<b>Cash generated/(absorbed) by operations</b>	<b>18 944 448</b>	<b>8 237 106</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b>43. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Current Accounts - Note 9	170 749	4 869
Call Deposits and Investments - Note 9	4 252 607	9 345
Cash Floats - Note 9	100	100
<b>Total cash and cash equivalents</b>	<b>4 423 455</b>	<b>14 314</b>
<b>44. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - Note 43	4 423 455	14 314
<b>Less:</b>	(7 204 842)	(2 663 128)
Unspent Transfers and Subsidies - Note 16	(6 707 813)	(2 663 128)
VAT - Note 17	(497 029)	-
Net cash resources available for internal distribution	(2 781 387)	(2 648 815)
<b>Resources available for working capital requirements</b>	<b>(2 781 387)</b>	<b>(2 648 815)</b>
<b>45. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities - Note 10	48 254	45 765
Used to finance property, plant and equipment - at cost	(48 254)	(45 765)
Cash set aside for the repayment of long-term liabilities	-	-
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		
<b>46. BUDGET INFORMATION</b>		
The Annual Budget of the Municipality is prepared for a 2021/22 MTREF period and is applicable from 1 July 2021 until 30 June 2022.		
A reconciliation is provided on the face of the Statement of comparison of budget and actual amounts for the classification disclosure differences resulting between the Budget and the Annual financial statements.		
<b>46.1 Explanation of variances between approved and final budget amounts</b>		
The reasons for the variances between the approved and final budgets are mainly due to virements, and the continued negative effect of the Covid-19 pandemic on revenue collection, cashflow limitations, reprioritising of operating and capital projects.		
<b>Final Budget and Actual Amounts: Explanation for variances greater than 10% and in excess of R600,000 (1% of operating expenses).</b>		
<b>46.2 Statement of Financial Position</b>		
<b>46.2.1 Current Assets</b>		
Cash		
<i>Lower cash levels due to cash flow constraints.</i>		
Call Investment Deposits		
<i>Unspent grants projects work in progress.</i>		
Consumer Debtors		
<i>Non payment of services.</i>		
Other Debtors		
<i>Non payment of rates.</i>		
Inventory		
<i>It is due to the increase in the purchase of chemicals to purify the water for the communities supply by the municipality.</i>		
<b>46.2.2 Non-Current Assets</b>		
Intangible Assets		
<i>Laptops disposed - obsolete.</i>		
<b>46.2.3 Current Liabilities</b>		
Consumer Deposits		
<i>More consumers apply for services.</i>		

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## Trade and Other Payables

*Municipality experiencing difficulty to pay trade creditors due to cash flow limitations.*

## Provisions

*Increase in short-term portion of rehabilitation cost of landfill-sites based on expert report.*

**46.2.4 Net Assets**

## Accumulated Surplus/(Deficit)

*Nett effect of reasons documented above.*

## Reserves

*Decrease due to cash flow limitations.*

## Statement of Financial Performance

**46.2.5 Revenue**

## Service Charges - Electricity Revenue

*Due to increase in consumption and tariffs*

## Rental of Facilities and Equipment

*More municipal properties for rent*

## Interest Earned - External Investments

*More grants where invested during the financial year.*

## Licences and Permits

*Less motor vehicle registrations.*

## Other Revenue

*Increase due to debt relief by National Treasury.*

**46.2.6 Expenditure**

## Employee Related Costs

*Vacancies not filled.*

## Debt Impairment

*Due to the non-payment of services and rates.*

## Finance Costs

*Due to interest paid to financial instruments - LSB and PEMA. Interest levied by ESKOM for non-payment of account.*

## Inventory consumed

*Due to pipe burst on water bulk lines. Infrastructure is obsolete.*

## Contracted Services

*Unable to incur expenditure due to cash flow constraints.*

## Losses

*Due to pipe burst on water bulk lines. Infrastructure is obsolete.*

## Cash Flow Statement

**46.2.7 Net Cash from Operating Activities**

## Property rates

*Non payment of rates.*

## Service Charges

*Non payment of services.*

## Interest

*More grants where invested during the financial year.*

## Suppliers and Employees

*Vacancies not filled.*

## Finance charges

*Due to interest paid to financial instruments - LSB and PEMA. Interest levied by ESKOM for non-payment of account.*

## Transfers and Grants

*Grants was with held.*



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 46.2.8 Net Cash from Investing Activities

Capital Assets

Due to the with held of capital grants.

## 47. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

## 47.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance

Correction of prior period error

Restated opening balance

Unauthorised expenditure current year - operational

Unauthorised expenditure current year - capital

Written off by Council

Current

Prior Period

Transfer to receivables for recovery

Current

Prior Period

Unauthorised expenditure awaiting authorisation

2022  
R2021  
R

28 484 209 23 728 801

28 484 209 23 728 801

5 430 197 2 108 243

962 090 2 647 166

- -

- -

- -

- -

- -

- -

- -

- -

34 876 496 28 484 209

Unauthorised expenditure can be summarised as follows:

Incident	Disciplinary steps/criminal proceedings		
Over expenditure of operational budget - 2017	Under Investigation	10 140 323	10 140 323
Over expenditure of approved operating budget - 2018	Under Investigation	6 556 075	6 556 075
Over expenditure of approved capital budget - 2018	Under Investigation	20 254	20 254
Over expenditure of approved operating budget - 2019	None	2 806 682	2 806 682
Over expenditure of approved operating budget - 2020	None	4 205 467	4 205 467
Over expenditure of approved operating budget - 2021	None	2 108 243	2 108 243
Over expenditure of approved capital budget - 2021	None	2 647 166	2 647 166
Over expenditure of approved operating budget - 2022	None	5 430 197	-
Over expenditure of approved capital budget - 2022	None	962 090	-
		34 876 496	28 484 209

The over expenditure incurred by municipal departments on their operating budgets during the year is attributable to the following categories:

Non-cash

Cash

5 430 197 2 108 243

- -

5 430 197 2 108 243

## Analysed as follows: Non-cash

Impairment Loss on Receivables

5 430 197 2 108 243

5 430 197 2 108 243

The overspending of the Budget per municipal vote can be summarised as follows:

	2022 Actual R	2022 Final Budget R	2022 Variance R	2022 Unauthorised R
<b>Unauthorised expenditure current year - operating</b>				
Municipal Manager	8 994 593	9 571 864	(577 271)	-
Finance	9 768 201	11 232 899	(1 464 698)	-
Corporate Services	14 449 139	16 401 320	(1 952 181)	-
Infrastructure Development	47 055 116	41 624 919	5 430 197	5 430 197
Economic Development	1 089 229	1 281 856	(192 627)	-
	81 356 277	80 112 858	1 243 419	5 430 197
<b>Unauthorised expenditure current year - capital</b>				
Municipal Manager	4 962 090	4 000 000	962 090	962 090
Chief Financial Officer	(907 580)	-	(907 580)	-
Director: Administration	(27 986)	-	(27 986)	-
Director: Community Services	12 995 492	34 993 143	(21 997 651)	-
Director: Technical Services	-	-	-	-
	17 022 015	38 993 143	(21 971 128)	962 090

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

47.2 Fruitless and wasteful expenditure	2022 R	2021 R
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	6 861 586	6 861 586
Correction of prior period error	-	-
Restated opening balance	6 861 586	6 861 586
Fruitless and wasteful expenditure current year	-	-
Written off by Council	1 537 679	-
Current	1 537 679	-
Prior Period	-	-
Transfer to receivables for recovery - not written off	-	-
Current	-	-
Prior Period	-	-
Fruitless and wasteful expenditure awaiting further action	8 399 264	6 861 586

Fruitless and wasteful expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Interest on overdue accounts - 2017	Under Investigation	1 348 088	1 348 088
Interest on overdue accounts - 2018	Under Investigation	1 657 840	1 657 840
Interest on overdue accounts - 2019	None	1 482 055	1 482 055
Interest on overdue accounts - 2020	None	2 373 602	2 373 602
Interest on overdue accounts - 2022	None	1 537 679	-
		8 399 264	6 861 586

## 47.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	19 817 950	17 969 627
Correction of prior period error	-	-
Restated opening balance	19 817 950	17 969 627
Irregular expenditure current year	-	1 848 323
Expenditure authorised i.t.o. Section 32 of MFMA	-	-
Current	-	-
Prior Period	-	-
Written off as supported by council	-	-
Current	-	-
Prior Period	-	-
Transfer to receivables for recovery - not written off	-	-
Current	-	-
Prior Period	-	-
Irregular expenditure awaiting further action	19 817 950	19 817 950

Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Non compliance with SCM Policy - Quotations was not for the same type of goods.	To be investigated	68 286	68 286
Non compliance with SCM Policy - 3 Quotations was not obtained.	To be investigated	32 250	32 250
Non compliance with SCM Policy - No tax Clearance certificate.	To be investigated	80 000	80 000
Non compliance with SCM Policy - No Bid Specification Committee.	To be investigated	15 068 650	15 068 650
Irregular Expenditure identified by Auditor-General without communicating with the municipality, raising an audit finding or included in audit report.	To be investigated	2 436 026	2 436 026
Non compliance with SCM Policy - SCM processes avoided.	To be investigated	284 416	284 416
Conditional grants use to fund operating expenditure (Employee related cost)	To be investigated	1 025 762	1 025 762
Non compliance with SCM Policy - 3 Quotations was not obtained.	None	822 561	822 561
		19 817 950	19 817 950

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

- 47.3.1 Further instances of Irregular Expenditure that might have resulted from non-compliance with the supply chain management processes are under investigation to determine the full extent of the amount. These expenditure can be summarised as follows:

Incident	Disciplinary steps/criminal proceedings	2022 R	2021 R
Quiver Tree Trading	To be investigated	23 700	-
Aqua Plus Trading	To be investigated	17 250	-
Aqua Plus Trading	To be investigated	25 875	-
EMC Electrical Reticulation	To be investigated	460 000	-
Jorian Construction	To be investigated	7 653 637	-
MZC Associates and Builders	To be investigated	11 627 428	-
LITD Engineering	To be investigated	3 354 554	-
Namakwa General Trading	To be investigated	1 249 800	-
EMC Electrical Reticulation	To be investigated	84 433	-
Lateral Unison	To be investigated	411 469	-
Contour	To be investigated	518 985	-
TGIS	To be investigated	292 464	-
		<u>25 719 595</u>	<u>-</u>

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

48. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

48.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)

Opening balance	2 250 000	1 750 000
Council subscriptions	500 000	500 000
Amount paid - current year	-	-
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>2 750 000</u>	<u>2 250 000</u>

48.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	5 511 482	3 958 285
Correction of prior period error	-	-
Restated opening balance	5 511 482	3 958 285
Current year audit fee	3 888 043	3 073 502
External Audit - Auditor-General	3 888 043	3 073 502
Internal Audit	-	-
Audit Committee	-	-
Amount paid - current year	(3 443 040)	(1 520 305)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	<u>5 956 485</u>	<u>5 511 482</u>

48.3 VAT - [MFMA 125 (1)(c)]

Opening balance	(183 381)	276 703
Correction of prior period error	-	-
Restated opening balance	(183 381)	276 703
Transfers	2 136 022	1 869 850
Amounts received - previous year	-	(276 703)
Amounts received - current year	(1 586 129)	(2 264 967)
Amount paid - current year	-	211 736
Amount paid - previous year	-	-
Closing balance	<u>366 511</u>	<u>(183 381)</u>

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

48.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]

Opening balance	369 220	356 339
Correction of prior period error	-	-
Restated opening balance	369 220	356 339
Current year payroll deductions	4 693 273	4 499 290
Amount paid - current year	(4 629 211)	(4 486 409)
Amount paid - previous year	(369 221)	(339 071)
Balance unpaid (included in creditors)	<u>433 282</u>	<u>369 220</u>



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b>48.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</b>		
Opening balance	405 992	367 534
Correction of prior period error	-	-
Restated opening balance	405 992	367 534
Current year payroll deductions and Council Contributions	5 024 712	4 682 036
Amount paid - current year	(4 607 446)	(4 276 044)
Amount paid - previous year	(405 992)	(367 534)
<b>Balance unpaid (included in creditors)</b>	<b>417 266</b>	<b>405 992</b>

**48.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]**

The following Councillors had arrear accounts for more than 90 days as at 30 June 2022:

	Outstanding more than 90 days
BJ Bock	5 412
SS Brand	2 742
OE Adams	2 192

**48.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005**

**48.7.1** Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b):

**30 June 2022**

	Amount	Single Supplier	Type of Deviation		
			Impossible	Impractical	Emergency
July	6 765	-	-	1	-
August	40 909	1	-	2	1
September	46 773	4	-	4	-
October	22 166	1	-	-	-
November	13 269	1	-	1	-
December	167 020	1	-	9	-
January	162 071	-	-	-	-
February	50 253	-	-	2	-
March	1 366 350	-	1	18	4
April	123 592	-	-	6	-
May	35 726	2	-	-	2
June	22 342	2	-	1	-
	<b>2 057 235</b>	<b>12</b>	<b>1</b>	<b>44</b>	<b>7</b>

**30 June 2021**

	Amount	Single Supplier	Type of Deviation		
			Impossible	Impractical	Emergency
July	31 125	2	-	2	1
August	-	-	-	-	-
September	26 598	-	-	1	-
October	17 947	-	-	2	-
November	6 923	-	-	1	-
December	32 742	-	-	3	-
January	7 316	-	-	2	-
February	63 315	-	-	2	1
March	16 184	-	-	1	1
April	34 517	-	-	3	-
May	5 893	1	-	-	-
June	-	-	-	-	-
	<b>242 558</b>	<b>3</b>	<b>-</b>	<b>17</b>	<b>3</b>

	2022 R	2021 R
<b>48.8 Material losses [MFMA 125 (2)(d)]</b>		
<b>Electricity distribution losses</b>		
Units purchased (Kwh)	5 664 837	5 348 910
Units lost during distribution (Kwh)	846 700	897 970
Percentage lost during distribution	14.95%	16.79%
Distribution loss (Rand Value)	1 618 372	1 466 096

The reason for the increase in electricity losses is due to obsolete infrastructure and electricity theft on pre-paid meters. Fines were issued for first time offenders.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b>Water distribution losses</b>		
Units purchased (kl)	1 262 803	861 632
Units lost during distribution (kl)	902 394	546 384
Percentage lost during distribution	71.46%	63.41%
Distribution loss (Rand Value)	5 035 359	2 873 980

Normal pipe bursts and field leakages are responsible for water losses.

#### 48.9 **Non-compliance with the Municipal Finance Management Act and other Legislation [MFMA 125 (2)(e)]**

##### **Non-compliance with MFMA Section 126 (1) (a)**

The municipality did not comply with MFMA section 126 (1) (a) as they did not submit their financial statements by the legislated due date.

##### **Non-compliance with MFMA Section 65 (2) (e)**

Money owing by the municipality was not paid within 30 days of receiving the relevant invoice or statement from the supplier, due to cashflow challenges caused by low revenue collection rates.

##### **Non-compliance with MFMA Section 9 (b)**

Section 9(b) of the MFMA requires that annually before the start of a financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account should be submitted to the relevant provincial treasury and the Auditor-General in writing. The municipality did not adhere to this section in the current year.

##### **Non-compliance with MFMA Section 71**

The monthly report for July 2019 was not timeously submitted to provincial treasury.

##### **Non-compliance with MFMA Section 75 (2)**

The municipality did not update their website with all relevant documentation as required by Section 75(2) of the MFMA.

##### **Non-compliance with the Municipal systems Act, Section 96 (b)**

A credit control and debt collection policy was not fully implemented, as required by section 96(b) of the MSA.

#### 49. **FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

##### **(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

##### **(b) Price Risk**

The municipality is not exposed to price risk.

##### **(c) Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

1% (2021: 1%) Increase in interest rates	43 751	(316)
1% (2021: 1%) Decrease in interest rates	(43 751)	316

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## (d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 7 and 8 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

	2022 %	2022 R	2021 %	2021 R
<u>Non-exchange Receivables</u>				
Rates	100.00%	-	100.00%	-
<u>Exchange Receivables</u>				
Electricity	2.69%	2 294 507	2.95%	2 164 865
Water	74.59%	63 671 320	75.47%	55 414 682
Property Rentals	0.69%	584 973	0.46%	340 533
Waste Management	10.31%	8 803 315	9.74%	7 150 661
Waste Water Management	10.61%	9 058 333	10.08%	7 399 994
Other	0.24%	203 628	0.28%	203 628
	100.00%	85 366 630	100.00%	73 424 916

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 7 and 8 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2022 %	2022 R	2021 %	2021 R
<u>Non-exchange Receivables</u>				
Rates	8.83%	7 878 413	8.13%	6 176 712
<u>Exchange Receivables</u>				
Services	91.17%	81 360 753	91.87%	69 834 621
	91.17%	89 239 166	91.87%	76 011 333

Ageing of amounts past due but not impaired are as follow:

	Exchange Receivables	Non-exchange Receivables
<b>2022</b>		
1 month past due	1 322 752	116 601
2+ months past due	2 683 125	431 023
	4 005 877	547 624
<b>2021</b>		
1 month past due	1 339 496	104 105
2+ months past due	2 250 799	657 398
	3 590 295	761 503

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA Bank Limited). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

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

	2022 R	2021 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	85 366 630	73 424 916
Receivables from non-exchange transactions	8 814 323	8 531 713
Cash and Cash Equivalents	4 423 355	14 214
	<u>98 604 309</u>	<u>81 970 842</u>

## (e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end 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.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
<b>2022</b>				
Long-term Liabilities	29 946	23 546	-	-
Trade and Other Payables from Exchange Transactions	65 345 322	-	-	-
	<u>65 375 268</u>	<u>23 546</u>	<u>-</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
<b>2021</b>				
Long-term Liabilities	32 982	16 491	-	-
Trade and Other Payables from Exchange Transactions	54 591 107	-	-	-
	<u>54 624 089</u>	<u>16 491</u>	<u>-</u>	<u>-</u>
			<b>2022 R</b>	<b>2021 R</b>

## 50. FINANCIAL INSTRUMENTS

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

50.1 Financial Assets	Classification		
Receivables from Exchange Transactions			
Electricity	Financial Instruments at amortised cost	2 294 507	2 164 865
Water	Financial Instruments at amortised cost	63 671 320	55 414 682
Property Rentals	Financial Instruments at amortised cost	584 973	340 533
Waste Management	Financial Instruments at amortised cost	8 803 315	7 150 661
Waste Water Management	Financial Instruments at amortised cost	9 058 333	7 399 994
Department of Transport	Financial Instruments at amortised cost	750 554	750 554
Other Arrears	Financial Instruments at amortised cost	203 628	203 628
Cash and Cash Equivalents			
Bank Balances	Financial Instruments at amortised cost	170 749	4 869
Call Deposits	Financial Instruments at amortised cost	4 252 607	9 345
<b>Total Financial Assets</b>		<u>90 540 539</u>	<u>74 189 684</u>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

		2022 R	2021 R
<b>Financial Instruments at amortised cost:</b>			
Receivables from Exchange Transactions	Electricity	2 294 507	2 164 865
Receivables from Exchange Transactions	Water	63 671 320	55 414 682
Receivables from Exchange Transactions	Property Rentals	584 973	340 533
Receivables from Exchange Transactions	Waste Management	8 803 315	7 150 661
Receivables from Exchange Transactions	Waste Water Management	9 058 333	7 399 994
Receivables from Exchange Transactions	Department of Transport	750 554	750 554
Cash and Cash Equivalents	Other Arrears	203 628	203 628
Cash and Cash Equivalents	Bank Balances	170 749	4 869
	Call Deposits	4 252 607	9 345
		<u>90 540 539</u>	<u>74 189 684</u>
<b>Total Financial Assets</b>		<u><b>90 540 539</b></u>	<u><b>74 189 684</b></u>
<b>50.2 Financial Liabilities</b>	<b>Classification</b>		
<b>Long-term Liabilities</b>			
Capitalised Lease Liability	Financial Instruments at amortised cost	48 254	45 765
<b>Trade and Other Payables</b>			
Trade Payables	Financial Instruments at amortised cost	58 170 185	47 497 535
Advance Payments	Financial Instruments at amortised cost	258 361	211 143
Control, Clearing and Interface Accounts	Financial Instruments at amortised cost	1 073 003	1 002 723
Other Payables	Financial Instruments at amortised cost	422 326	370 423
Retentions	Financial Instruments at amortised cost	-	1 411 096
		<u>59 972 129</u>	<u>50 538 685</u>
<b>SUMMARY OF FINANCIAL LIABILITIES</b>			
<b>Financial instruments at amortised cost:</b>			
Long-term Liabilities	Capitalised Lease Liability	48 254	45 765
Trade and Other Payables	Trade Payables	58 170 185	47 497 535
Trade and Other Payables	Advance Payments	258 361	211 143
Trade and Other Payables	Control, Clearing and Interface Accounts	1 073 003	1 002 723
Trade and Other Payables	Other Payables	422 326	370 423
Trade and Other Payables	Retentions	-	1 411 096
		<u>59 972 129</u>	<u>50 538 685</u>
<b>51. STATUTORY RECEIVABLES</b>			
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:			
<b>Taxes</b>			
VAT Receivable		251 950	(183 381)
<b>Receivables from Non-Exchange Transactions</b>			
Rates		8 426 036	6 938 215
		<u>8 426 036</u>	<u>6 938 215</u>
<b>Total Statutory Receivables (before provision)</b>		<b>8 677 987</b>	<b>6 754 834</b>
<b>Less:</b> Provision for Debt Impairment		<b>(8 143 982)</b>	<b>(6 442 282)</b>
<b>Total Statutory Receivables (after provision)</b>		<u><b>534 005</b></u>	<u><b>312 553</b></u>
Statutory Receivables arises from the following legislation:			
Taxes	- Value Added Tax Act (No 89 of 1991)		
Rates	- Municipal Properties Rates Act (No 6 of 2004)		
Statutory receivables are initially measured at transaction value, and subsequently at cost.			
<b>(Rates): Ageing</b>			
Current (0 - 30 days)		123 168	294 891
31 - 60 Days		116 601	104 105
61 - 90 Days		113 991	98 493
+ 90 Days		8 072 277	6 440 726
<b>Total</b>		<u><b>8 426 036</b></u>	<u><b>6 938 215</b></u>
<b>Reconciliation of Provision for Debt Impairment</b>			
Balance at beginning of year		6 442 282	5 343 020
Contribution to provision		1 701 700	1 099 261
Reversal of provision		-	-
<b>Balance at end of year</b>		<u><b>8 143 982</b></u>	<u><b>6 442 282</b></u>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b><u>Ageing of amounts past due but not impaired:</u></b>		
1 month past due	116 601	104 105
2+ months past due	431 023	657 398
	<b>547 624</b>	<b>761 503</b>

**Interest Received from Statutory Receivables**

Taxes	506 715	364 209
	<b>506 715</b>	<b>364 209</b>

Interest is levied at a rate determined by the council on outstanding rates amounts.

**52. IN-KIND DONATIONS AND ASSISTANCE**

The municipality did not receive any in-kind donations or assistance during the year under review.

**53. PRIVATE PUBLIC PARTNERSHIPS**

Council has not entered into any private public partnerships during the financial year.

**54. PRINCIPAL - AGENT ARRANGEMENTS****54.1 Principal in other Principal-Agent Arrangements (non-material)**

Khai Ma Municipality is the Principal in arrangements with service providers who sell prepaid electricity on their behalf. Prepaid vendors earn commission on the value of each transaction.

The following information is disclosed in aggregate as per GRAP 109 par 61.

**Compensation paid for agency activities**

Commission	564 426	449 091
<b>Total Compensation</b>	<b>564 426</b>	<b>449 091</b>

There are no resources under the custodianship of the agents, nor have they been recognised as such.

**54.2 Agent in arrangement**

Khai Ma Municipality is the Agent in the Principal-Agent arrangement with the Provincial Department of Transport, and collects licencing fees on behalf of the Provincial Department of Transport. The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Income from Agency Services in the Statement of Financial Performance. The amounts due to the Provincial Department at year end is included in the balances reported as Payables from Exchange Transactions in the Statement of Financial Position.

The municipality does not incur any expenses on behalf of the Provincial Department. No significant risks are noted to arise from the arrangement as the municipality merely collects monies on behalf of the department as part of its existing service offering at the traffic department and municipal cashier collection points. No resources are held on behalf of the Provincial Department (other than the receipts).

**Compensation received for agency activities**

Agency Fees	-	31 085
<b>Total Compensation received</b>	<b>-</b>	<b>31 085</b>

Khai-Ma Municipality was paid 12% commission by the Provincial Departement of Transport for acting as an agent on its behalf during the financial year.

**55. CONTINGENT LIABILITY**

The Municipality has the following claims against them in terms of the Fencing Act:

AMJ Roux	135 000	135 000
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The municipality offered a settlement to Mr AMJ Roux, but Mr AMJ Roux rejected the settlement. The case is still pending.

**56. RELATED PARTIES**

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 56.1 Related Party Transactions

	Rates	Service Charges	Other	Interest	Outstanding Balance	Travelling
<b>Year ended 30 June 2022</b>						
<b>Councillors</b>						
BJ Bock	435	11 177	-	4 063	85 683	8 030
SS Brandt	6 024	15 090	-	725	14 222	5 627
OE Adams	-	5 568	-	797	13 983	11 629
C Waterboer	-	-	-	-	-	6 883
E Mowers	-	-	-	-	-	71 687
EP Cloete	-	-	-	-	-	8 856
H Nel	-	-	-	-	-	12 785
	<u>6 458</u>	<u>31 835</u>	<u>-</u>	<u>5 586</u>	<u>113 888</u>	<u>125 497</u>
<b>Municipal Manager and Senior Management</b>						
OJ Isaacs	-	-	-	-	-	141 989
PJ van der Merwe	7 141.50	11 485.37	-	-	11	-
J.J. Liebenberg	-	-	-	-	-	29 841
H. Christians	-	5 869.49	-	-	116	66 504
	<u>7 142</u>	<u>17 355</u>	<u>-</u>	<u>-</u>	<u>127</u>	<u>238 334</u>
<b>Year ended 30 June 2021</b>						
<b>Councillors</b>						
SS Brandt	5 708	12 184	-	758	14 283	-
AA van Wyk	71	9 709	-	598	14 876	-
S April	412	10 524	-	2	1 733	-
PA van Heerden	-	7 964	-	5	(3 166)	66 599
B Josop	-	8 528	-	382	11 368	1 383
EP Cloete	-	-	-	-	-	5 976
	<u>6 191</u>	<u>48 909</u>	<u>-</u>	<u>1 745</u>	<u>39 094</u>	<u>73 958</u>
<b>Municipal Manager and Senior Management</b>						
OJ Isaacs	-	-	-	-	-	52 787
PJ van der Merwe	6 767	11 761	-	16	4 471	-
J.J. Liebenberg	-	-	-	-	-	4 318
H. Christians	-	-	-	-	-	43 240
	<u>6 767</u>	<u>11 761</u>	<u>-</u>	<u>16</u>	<u>4 471</u>	<u>100 344</u>

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

## 56.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

## 56.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 30 to the Annual Financial Statements.

## 56.4 Current Employee Benefits

The Municipality has the following current employee benefit obligations and made other non-Employee Related Cost payments towards senior management on 30 June 2022:

Name	Position	Staff Leave Obligations	Staff Bonus Obligations	Travel and Subsistence paid
O.J. Isaacs	Municipal Manager	160 897	-	141 898
P.J. van der Merwe	Chief Financial Officer	114 181	-	-
H. Christians	Head: Technical Services	145 081	-	66 504
J.J. Liebenberg	Head: Corporate Services	156 492	-	297 841
		<u>576 651</u>	<u>-</u>	<u>506 243</u>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

The Municipality has the following current employee benefit obligations and made other non-Employee Related Cost payments towards senior management on 30 June 2021:

Name	Position	Staff Leave Obligations	Staff Bonus Obligations	Travel and Subsistence paid
O.J. Isaacs	Municipal Manager	-	-	52 787
P.J. van der Merwe	Chief Financial Officer	-	35 824	-
H. Christians	Head: Technical Services	-	-	4 318
J.J. Liebenberg	Head: Corporate Services	-	-	43 240
		<u>-</u>	<u>35 824</u>	<u>100 344</u>

## 57. FINANCIAL SUSTAINABILITY

Management is of the opinion that the municipality will continue to operate as a going concern and perform its functions as set out in the Constitution.

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The extremely high cost associated with the Delivery of Basic Services and Infrastructure needs to communities due to the vast distances between several settlements coupled with the social-economic profile (high unemployment rate) of Khai-Ma communities resulted in a serious risk for Khai-Ma Municipality's going concern.

Unless sustainable job creation is achieved, Khai-Ma Municipality will not be able to function as a going concern without Government Grants and Subsidies.

The municipality is experiencing difficulty to settle its current liabilities as its net current asset position is insufficient. The current liabilities exceed the current assets with R71 846 619 (2021: R62 531 248).

The municipality has budgeted for a operating deficit of R11 024 643 for the 2022/2023 financial year, and R11 895 215 and R12 912 850 for the 2023/2024 and 2023/2025 years respectively. The municipality has also budgeted for positive cash flows of R2 439 598 and R2 378 918 for 2022/2023 and 2024/2025 respectively. The municipality budgeted for a negative cash flow of R746 449 for the 2023/2024 financial year.

The National Treasury assisted the municipality with R2 493 651 (2021: R1 322 004) to repay outstanding audit fees.

In spite of aforementioned, management has prepared the Annual Financial Statements on the Going Concern Basis.

## 58. EVENTS AFTER REPORTING PERIOD

Covid-19

Within the municipal space, the effects of COVID-19 is likely to be a current period event which will require ongoing evaluation to determine the extent to which developments after the reporting date, should be recognised in the current reporting period.

No events after the reporting date were identified by management that will effect the operations of the municipality or the results of those operations significantly.

## 59. ADDITIONAL DISCLOSURES IN TERMS OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

For management purposes, the municipality is organised and operates in key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Management receives on a monthly basis a C Schedule that provides actual amounts at that time per both the department and function.

The key functional segments comprise of:

**PRIMARY SEGMENTS**

Functional Segments	Sub vote	Aggregation	Reportable Segment	Types of Goods/Services delivered
<b>Vote 1 - Municipal Manager</b>	1.1 - Council and General	Aggregated	Governance and Administration	Supporting service departments
<b>Vote 2 - Finance</b>	1.2 - Municipal Manager	Aggregated	Governance and Administration	Supporting service departments
	2.1 - Assessment Rates	Aggregated	Governance and Administration	Supporting service departments
	2.2 - Chief Financial Officer	Aggregated	Governance and Administration	Supporting service departments
	2.3 - Internal Auditor	Aggregated	Governance and Administration	Supporting service departments
	2.4 - Other Subsidies	Aggregated	Governance and Administration	Supporting service departments
	2.5 - Property Services	Aggregated	Governance and Administration	Supporting service departments
	2.6 - Vehicle Licensing and Testing	Aggregated	Governance and Administration	Supporting service departments
<b>Vote 3 - Corporate Services</b>	3.1 - Cemetery	Aggregated	Governance and Administration	Supporting service departments
	3.2 - Corporate Services	Aggregated	Governance and Administration	Supporting service departments
	3.3 - Disaster Management	Aggregated	Governance and Administration	Supporting service departments
	3.4 - Health	Aggregated	Governance and Administration	Supporting service departments
	3.5 - Library	Aggregated	Governance and Administration	Supporting service departments
	3.6 - Municipal and Public Buildings	Aggregated	Governance and Administration	Supporting service departments
	3.7 - Fleet Management	Aggregated	Governance and Administration	Supporting service departments
	3.8 - Traffic	Aggregated	Governance and Administration	Supporting service departments
<b>Vote 4 - Infrastructure Development</b>	4.1 - Electricity	Aggregated	Technical Services	Water management, Electricity services and waste water management, Recreation centers.
	4.2 - Parks and Recreation	Aggregated	Technical Services	
	4.3 - Refuse	Aggregated	Technical Services	
	4.4 - Roads	Aggregated	Technical Services	
	4.5 - Sewerage	Aggregated	Technical Services	
	4.6 - Media	Aggregated	Technical Services	
	4.7 - Water	Aggregated	Technical Services	
<b>Vote 5 - Economic Development</b>	5.1 - Housing	Aggregated	Governance and Administration	Supporting service departments
	5.2 - IDP/LED	Aggregated	Governance and Administration	Supporting service departments
	5.3 - Tourism	Aggregated	Other	Tourism
	5.4 - Town Planning	Individually Reported	Town Planning	Building plans

**SECONDARY SEGMENTS**

Masco Functional Segments Identified	Aggregation	Reportable Segment	Types of Goods/Services delivered
<b>• Governance and Administration</b>	Executive and council	Aggregated	Supporting service departments
	Finance and administration	Aggregated	Supporting service departments
	Internal audit	Aggregated	Supporting service departments
<b>• Community and public safety</b>	Community and social services	Aggregated	Library services, Community halls rentals and recreation centers
	Sport and recreation	Aggregated	Supporting service departments
	Public safety	Aggregated	Supporting service departments
	Health services	Aggregated	Supporting service departments
	Housing services	Aggregated	Supporting service departments
<b>• Economic and environmental services</b>	Planning and development	Individually Reported	Supporting service departments
	Road transport	Aggregated	Building plans
	Environmental protection services	Aggregated	Supporting service departments
<b>• Trading services</b>	Energy sources	Individually Reported	Supporting service departments
	Water management	Individually Reported	Electricity services
	Waste water management	Individually Reported	Water management
	Waste management service	Individually Reported	Waste water management
<b>• Other</b>	Abattoirs	Aggregated	Waste management service
	Air Transport	Aggregated	Supporting service departments
	Forestry	Aggregated	Airfield Rental
	Licensing and Regulation	Aggregated	Supporting service departments
	Markets	Aggregated	Licensing
	Tourism	Aggregated	Supporting service departments
		Other	Tourism

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



**KHAI MA MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

Khai-Ma Municipality has the following wards situated in different geographical areas:

Ward 1 - Orseepkans, R.K.Sending, Melkbosrand and Viljoensdraai  
Ward 2 - Blyvooruitlig  
Ward 3 - Pella  
Ward 4 - Potladder, Aggeneys and Witbank

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

**KHAL-MA MUNICIPALITY**

**PRIMARY REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2022**

	Governance and Administration		Community and Public Safety		Economic and Environmental Services		Trading Services		Other		Total	
	R		R		R		R		R		R	
External revenue from exchange transactions	1 453 888	-	-	43 987	24 471 988	-	25 969 862					
Service Charges - Electricity Revenue	-	-	-	-	10 285 043	-	10 285 043					
Service Charges - Water Revenue	-	-	-	-	6 390 685	-	6 390 685					
Service Charges - Sanitation Revenue	-	-	-	-	1 842 987	-	1 842 987					
Service Charges - Refuse Revenue	-	-	-	-	1 740 746	-	1 740 746					
Rental of Facilities and Equipment	389 791	-	-	-	-	-	389 791					
Interest Earned - External Investments	214 102	-	-	-	-	-	214 102					
Interest Earned - Outstanding Debtors	506 715	-	-	-	4 207 467	-	4 714 181					
Licences and Permits	-	-	-	40 289	-	-	40 289					
Other Revenue	343 280	-	-	3 698	5 059	-	352 038					
External revenue from non-exchange transactions	36 153 090	1 100 000	-	23 850	1 516 515	-	38 793 455					
Property Rates	9 614 005	-	-	-	-	-	9 614 005					
Fines	-	-	-	23 850	-	-	23 850					
Licences and Permits	-	-	-	-	-	-	-					
Agency Services	-	-	-	-	-	-	-					
Transfers Recognised - Operational	26 539 085	1 100 000	-	-	1 516 515	-	29 155 600					
Gains on Disposal of PPE	-	-	-	-	-	-	-					
Other Revenue	-	-	-	-	-	-	-					
Revenue from transactions with other segments	1 220 461	(191 988)	(355 349)	(673 124)	(673 124)	-	(0)					
Internal Revenue	1 220 461	(191 988)	(355 349)	(673 124)	(673 124)	-	(0)					
Total Segment Revenue (excluding capital transfers and contributions)	38 827 439	908 012	(287 512)	25 315 379	-	-	64 763 317					
SEGMENT EXPENDITURE												
Employee Related Costs	16 159 104	1 990 626	1 661 650	8 159 380	-	-	27 970 760					
Remuneration of Councillors	3 722 007	-	-	-	-	-	3 722 007					
Debt Impairment	1 701 700	-	-	10 022 724	-	-	11 724 424					
Depreciation and Asset Impairment	850 536	1 308 528	766 017	2 264 249	-	-	5 169 330					
Finance Charges	1 156 335	189	-	3 621 325	-	-	4 777 849					
Bulk Purchases	-	-	-	11 374 104	-	-	11 374 104					
Other Materials	156 189	18 016	86 871	1 116 493	-	-	1 377 567					
Contracted Services	1 792 671	41 738	9 565	336 654	-	-	2 180 628					
Transfers and Grants	-	-	-	-	-	-	-					
Other Expenditure	3 970 752	49 349	149 192	3 783 047	-	-	7 952 339					
Gains/(Loss) on Sale of Fixed Assets	51 910	-	-	51 910	-	-	51 910					
Water Losses	-	-	-	5 035 359	-	-	5 035 359					
Total Segment Expenditure	29 561 203	3 408 445	2 673 294	45 713 334	-	-	81 356 277					
Surplus/(Deficit)	9 266 235	(2 500 434)	(2 960 806)	(20 397 955)	-	-	(16 592 960)					
Transfers Recognised - Capital	-	-	-	13 798 519	-	-	13 798 519					
Contributions Recognised - Capital	-	-	-	-	-	-	-					
Contributed Assets	4 200 000	-	-	-	-	-	4 200 000					

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Surplus/(Deficit) after Capital Transfers & Contributions					
Taxation	13 466 235	(2 500 434)	(2 960 806)	(6 599 437)	1 405 559
Surplus/(Deficit) after Taxation					
Attributable to Minorities	13 466 235	(2 500 434)	(2 960 806)	(6 599 437)	1 405 559
Surplus/(Deficit) Attributable to Municipality					
Share of Surplus/(Deficit) of Associate	13 466 235	(2 500 434)	(2 960 806)	(6 599 437)	1 405 559
Surplus/(Deficit) for the year	13 466 235	(2 500 434)	(2 960 806)	(6 599 437)	1 405 559

	Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Other	Total
	R	R	R	R	R	R
OTHER INFORMATION						
Segment Assets	-	-	-	-	182 198 079.89	182 198 079.89
Segment liabilities	-	-	-	-	121 564 886.04	121 564 886.04
Additions to non-current assets	5 169 561.62	-	-	-	-	-
Investment in associates (equity method) and joint ventures	-	-	-	13 054 086.29	-	18 223 647.91
Non-cash revenue (included above)	-	-	-	-	-	-
Non-cash expenditure (included above)	-	-	-	-	-	-
Impairment losses recognised in Surplus/(Deficit)	-	-	-	-	-	-
Reversal of impairment losses recognised in Surplus/(Deficit)	-	-	-	-	-	-
Segment assets materially impaired	-	-	-	-	-	-
Cash flows from operating activities	-	-	-	-	18 944 447.80	18 944 447.80
Cash flows from investing activities	-	-	-	-	-14 503 040.46	-14 503 040.46
Cash flows from financing activities	-	-	-	-	-32 260.17	-32 260.17

## KHAI-MA MUNICIPALITY

SECONDARY REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2022

SEGMENT REVENUE											
Community and public safety	Economic and environmental services	R			R			R			Total
		Energy Sources	Water Management	Waste water management	Waste management services	Other	Governance and Administration	Unallocated			
External revenue from exchange transactions											
-	43 987	10 389 059	9 581 367	2 307 918	2 193 644	-	1 110 607	-	-	-	25 626 582
-	-	10 285 043	-	-	-	-	-	-	-	-	10 285 043
-	-	-	6 390 685	-	-	-	-	-	-	-	6 390 685
-	-	-	-	1 842 987	-	-	-	-	-	-	1 842 987
-	-	-	-	-	1 740 746	-	-	-	-	-	1 740 746
-	-	-	-	-	-	-	-	389 791	-	-	389 791
-	-	-	-	-	-	-	-	214 102	-	-	214 102
-	-	98 956	3 190 681	464 930	452 899	-	506 715	-	-	-	4 714 181
-	40 289	-	-	-	-	-	-	-	-	-	40 289
-	3 698	5 059	-	-	-	-	-	-	-	-	8 758
External revenue from non-exchange transactions											
1 100 000	23 850	-	1 516 515	-	-	-	36 496 370	-	-	-	39 136 735
-	-	-	-	-	-	-	9 614 005	-	-	-	9 614 005
-	23 850	-	-	-	-	-	-	-	-	-	23 850
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
1 100 000	-	-	1 516 515	-	-	-	28 539 085	-	-	-	29 155 600
-	-	-	-	-	-	-	343 280	-	-	-	343 280
-	-	-	-	-	-	-	-	-	-	-	-
(191 988)	(355 349)	423 622	(27 712)	(817 485)	(251 550)	-	1 220 461	-	-	-	(0)
(191 988)	(355 349)	423 622	(27 712)	(817 485)	(251 550)	-	1 220 461	-	-	-	(0)
Revenue from transactions with other segments											
Internal Revenue											

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Community and public safety	Economic and environmental services	Trading services					Other	Governance and Administration	Unallocated	Total
			Energy Sources	Water Management	Waste water management		Waste management services				
					R	R					
	R	R	R	R	R	R	R	R	R	R	R
OTHER INFORMATION											
Segment Assets	-	-	-	-	-	-	-	-	-	182 198 079.89	182 198 079.89
Segment liabilities	-	-	-	-	-	-	-	-	-	121 564 886.04	121 564 886.04
Additions to non-current assets	-	-	-	-	-	-	-	-	-	-	-
Investment in associates (equity method) and joint ventures	-	-	512 163.07	13 052 944.22	-	-	-	5 169 561.62	-	-	18 734 668.91
Non-cash revenue (included above)	-	-	-	-	-	-	-	-	-	-	-
Non-cash expenditure (included above)	-	-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in Surplus/(Deficit)	-	-	-	-	-	-	-	-	-	-	-
Reversal of impairment losses recognised in Surplus/(Deficit)	-	-	-	-	-	-	-	-	-	-	-
Segment assets materially impaired	-	-	-	-	-	-	-	-	-	-	-
Cash flows from operating activities	-	-	-	-	-	-	-	-	-	18 944 447.80	18 944 447.80
Cash flows from investing activities	-	-	-	-	-	-	-	-	-	-14 503 040.46	-14 503 040.46
Cash flows from financing activities	-	-	-	-	-	-	-	-	-	-32 260.17	-32 260.17



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Reconciliation of Segment Revenue to Total Revenue as per the Annual Financial Statements for the year ended 30 June 2022

Total Segment Revenue (including capital transfers and contributions)	82 761 835.81
Total Revenue as per Statement of Financial Performance	82 761 835.81
Difference	-
Reconciling items	
Insert reconciling item details	
Insert reconciling item details	
Insert reconciling item details	
Insert reconciling item details	

Reconciliation of Segment Expenses to Total Expenses as per the Annual Financial Statements for the year ended 30 June 2022

Total Segment Expenditure	81 356 277.17
Total Expenditure as per Statement of Financial Performance	81 356 277.17
Difference	-
Reconciling items	
Insert reconciling item details	
Insert reconciling item details	
Insert reconciling item details	
Insert reconciling item details	

Reconciliation of the Statement of Financial Performance as at 30 June 2022 as per the Annual Financial Statements vs the Surplus of the Segment report

Surplus/(Deficit) for the year as per Segments	1 405 558.64
Surplus/(Deficit) for the year as per Statement of Financial Performance	1 405 558.64
Difference - as explained above	-

See the explanations for differences above under Revenue and Expenses.

Reconciliation of Segment Assets to Total Assets as per the Annual Financial Statements for the year ended 30 June 2022

Total Segment Assets	182 198 079.89
Total Assets as per Statement of Financial Position	182 198 079.89
Difference	-
Reconciling items	
Insert reconciling item details	
Insert reconciling item details	
Insert reconciling item details	
Insert reconciling item details	

Reconciliation of Segment Liabilities to Total Liabilities as per the Annual Financial Statements for the year ended 30 June 2022

Total Segment Liabilities	121 564 886.04
Total Liabilities as per Statement of Financial Position	121 564 886.04
Difference	-
Reconciling items	
Insert reconciling item details	
Insert reconciling item details	
Insert reconciling item details	
Insert reconciling item details	

## KHAI-MA MUNICIPALITY

## PRIMARY REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Governance and Administration		Community and Public Safety		Economic and Environmental Services		Trading Services		Other		Total
SEGMENT REVENUE	R	R	R	R	R	R	R	R	R	R	R
External revenue from exchange transactions	2 969 477	-	-	39 745	21 860 259	-	-	-	-	-	24 869 481
Service Charges - Electricity Revenue	-	-	-	-	8 436 254	-	-	-	-	-	8 436 254
Service Charges - Water Revenue	-	-	-	-	6 843 401	-	-	-	-	-	6 843 401
Service Charges - Sanitation Revenue	-	-	-	-	1 671 589	-	-	-	-	-	1 671 589
Service Charges - Refuse Revenue	-	-	-	-	1 587 517	-	-	-	-	-	1 587 517
Rental of Facilities and Equipment	252 445	-	-	-	-	-	-	-	-	-	252 445
Interest Earned - External Investments	47 087	-	-	-	-	-	-	-	-	-	47 087
Interest Earned - Outstanding Debtors	364 209	-	-	-	3 311 773	-	-	-	-	-	3 675 981
Licences and Permits	-	-	-	-	36 857	-	-	-	-	-	36 857
Other Revenue	2 305 736	-	-	2 888	9 724	-	-	-	-	-	2 318 348
External revenue from non-exchange transactions	34 300 822	1 054 214	-	59 235	2 021 918	-	-	-	-	-	37 436 189
Property Rates	9 108 660	-	-	-	-	-	-	-	-	-	9 108 660
Fines	-	-	-	28 150	-	-	-	-	-	-	28 150
Licences and Permits	-	-	-	-	-	-	-	-	-	-	-
Agency Services	-	-	-	31 085	-	-	-	-	-	-	31 085
Transfers Recognised - Operational	25 192 162	1 054 214	-	-	2 021 918	-	-	-	-	-	28 268 294
Other Revenue	-	-	-	-	-	-	-	-	-	-	-
Gains on Disposal of PPE	-	-	-	-	-	-	-	-	-	-	-
Revenue from transactions with other segments	904 834	(183 005)	(309 207)	(309 207)	(412 622)	-	-	-	-	(0)	(0)
Internal Revenue	904 834	(183 005)	(309 207)	(309 207)	(412 622)	-	-	-	-	(0)	(0)
Total Segment Revenue (excluding capital transfers and contributions)	38 175 133	871 208	(210 227)	(210 227)	23 469 555	-	-	-	-	-	62 305 670
SEGMENT EXPENDITURE											
Employee Related Costs	16 207 912	1 938 307	1 538 038	-	7 788 050	-	-	-	-	-	27 472 308
Remuneration of Councillors	2 534 604	-	-	-	-	-	-	-	-	-	2 534 604
Debt Impairment	1 099 261	-	-	-	9 602 224	-	-	-	-	-	10 701 485
Depreciation and Asset Impairment	822 417	1 309 227	729 903	-	3 297 109	-	-	-	-	-	6 158 657
Finance Charges	1 059 540	-	-	-	2 335 209	-	-	-	-	-	3 395 749
Bulk Purchases	-	-	-	-	13 898 685	-	-	-	-	-	13 898 685
Other Materials	164 310	11 072	-	-	1 186 057	-	-	-	-	-	1 361 438
Contracted Services	1 473 934	31 937	25 000	-	308 715	-	-	-	-	-	1 839 586
Transfers and Grants	3 845 805	37 366	126 636	-	3 686 102	-	-	-	-	-	7 695 908
Other Expenditure	124 899	-	-	-	-	-	-	-	-	-	124 899
Gains/(Loss) on Sale of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-
Internal charges	-	-	-	-	-	-	-	-	-	-	-
Total Segment Expenditure	27 332 683	3 327 909	2 419 577	(2 419 577)	42 103 151	-	-	-	-	-	75 183 319
Surplus/(Deficit)	10 842 451	(2 456 701)	(2 629 804)	(2 629 804)	(18 633 596)	-	-	-	-	-	(12 877 649)
Transfers Recognised - Capital	-	-	-	-	7 209 991	-	-	-	-	-	7 209 991
Contributions Recognised - Capital	-	-	-	-	-	-	-	-	-	-	-
Contributed Assets	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after Capital Transfers & Contributions	10 842 451	(2 456 701)	(2 629 804)	(2 629 804)	(11 423 605)	-	-	-	-	-	(5 667 659)
Taxation	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after Taxation	10 842 451	(2 456 701)	(2 629 804)	(2 629 804)	(11 423 605)	-	-	-	-	-	(5 667 659)
Attributable to Minorities	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) Attributable to Municipality	10 842 451	(2 456 701)	(2 629 804)	(2 629 804)	(11 423 605)	-	-	-	-	-	(5 667 659)
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	10 842 451	(2 456 701)	(2 629 804)	(2 629 804)	(11 423 605)	-	-	-	-	-	(5 667 659)

KHAI MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Governance and Administration		Community and Public Safety		Technical Services		Town Planning		Unallocated		Total	
	R	R	R	R	R	R	R	R	R	R	R	R
<b>OTHER INFORMATION</b>												
Segment Assets	-	-	-	-	-	-	-	-	163 132 785.43	-	163 132 785.43	-
Segment liabilities	-	-	-	-	-	-	-	-	103 905 150.22	-	103 905 150.22	-
Additions to non-current assets	12 656.67	-	-	-	9 388 898.53	-	-	-	-	-	9 401 555.20	-
Investment in associates (equity method) and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-
Non-cash revenue (included above)	-	-	-	-	-	-	-	-	-	-	-	-
Non-cash expenditure (included above)	-	-	-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in Surplus/(Deficit)	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of Impairment losses recognised in Surplus/(Deficit)	-	-	-	-	-	-	-	-	-	-	-	-
Segment assets materially impaired	-	-	-	-	-	-	-	-	-	-	-	-
Cash flows from operating activities	-	-	-	-	-	-	-	-	8 237 106.10	-	8 237 106.10	-
Cash flows from investing activities	-	-	-	-	-	-	-	-	-9 490 442.60	-	-9 490 442.60	-
Cash flows from financing activities	-	-	-	-	-	-	-	-	-26 924.90	-	-26 924.90	-

KHAI-MA MUNICIPALITY												
SECONDARY REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2021												
	Community and public safety		Economic and environmental services		Energy Sources		Water Management		Waste water management		Waste management services	
	R	R	R	R	R	R	R	R	R	R	R	R
<b>SEGMENT REVENUE</b>												
External revenue from exchange transactions	-	-	39 745	-	8 511 146	-	9 407 838	-	2 018 758	-	1 922 517	-
Service Charges - Electricity Revenue	-	-	-	-	8 436 254	-	-	-	-	-	-	-
Service Charges - Water Revenue	-	-	-	-	-	-	6 843 401	-	-	-	-	-
Service Charges - Sanitation Revenue	-	-	-	-	-	-	-	1 671 589	-	-	-	-
Service Charges - Refuse Revenue	-	-	-	-	-	-	-	-	-	1 587 517	-	-
Rental of Facilities and Equipment	-	-	-	-	-	-	-	-	-	-	252 445	-
Interest Earned - External Investments	-	-	-	-	-	-	-	-	-	-	47 087	-
Interest Earned - Outstanding Debtors	-	-	-	-	65 167	-	2 564 437	-	347 169	-	335 000	-
Licences and Permits	-	-	36 857	-	-	-	-	-	-	-	-	-
Other Revenue	-	-	2 888	-	9 724	-	-	-	-	-	2 204 705	-
External revenue from non-exchange transactions	1 054 214	-	59 235	-	-	-	1 141 204	-	880 715	-	-	-
Property Rates	-	-	-	-	-	-	-	-	-	-	-	-
Fines	-	-	28 150	-	-	-	-	-	-	-	-	-
Licences and Permits	-	-	-	-	-	-	-	-	-	-	-	-
Agency Services	-	-	31 085	-	-	-	-	-	-	-	-	-
Transfers Recognised - Operational	1 054 214	-	-	-	-	-	1 141 204	-	880 715	-	-	-
Other Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Gains on Disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-
Revenue from transactions with other segments	(183 005)	(309 207)	-	-	411 957	-	604	-	(636 292)	-	(188 891)	-
Internal Revenue	(183 005)	(309 207)	-	-	411 957	-	604	-	(636 292)	-	(188 891)	-
Total Segment Revenue (excluding capital transfers and contributions)	871 208	(210 227)	8 923 103	-	8 923 103	-	10 549 646	-	2 263 180	-	1 733 626	-
												62 305 670



KHAI MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

SEGMENT EXPENDITURE

Employee Related Costs	1 951 640	1 538 038	935 387	3 435 668	1 725 050	1 691 945	16 194 579	27 472 308
Remuneration of Councillors	-	-	-	-	-	-	2 534 604	2 534 604
Debt Impairment	-	-	780 000	7 618 768	277 456	926 000	1 099 261	10 701 485
Depreciation and Asset Impairment	1 309 227	729 903	180 818	1 040 970	183 378	1 891 943	822 417	6 158 657
Finance Charges	-	-	485 253	-	-	1 850 957	1 059 540	3 395 749
Bulk Purchases	-	-	9 451 292	4 447 393	-	-	-	13 898 685
Other Materials	11 072	-	94 657	182 673	883 770	24 957	164 310	1 361 438
Contracted Services	31 937	25 000	51 423	41 435	18 774	-	1 671 018	1 839 586
Transfers and Grants	-	-	-	-	-	-	-	-
Other Expenditure	37 366	125 636	1 097 615	2 153 797	254 921	179 769	3 845 805	7 695 908
Gains/(Loss) on Sale of Fixed Assets	-	-	-	-	-	-	124 899	124 899
Internal charges	-	-	-	-	-	-	-	-
<b>Total Segment Expenditure</b>	<b>3 341 242</b>	<b>2 419 577</b>	<b>13 076 445</b>	<b>18 920 703</b>	<b>3 324 575</b>	<b>6 584 344</b>	<b>27 516 433</b>	<b>75 183 319</b>
<b>Surplus/(Deficit)</b>	<b>(2 470 034)</b>	<b>(2 629 804)</b>	<b>(4 153 342)</b>	<b>(8 371 057)</b>	<b>(1 061 394)</b>	<b>(4 850 719)</b>	<b>10 658 700</b>	<b>(12 877 649)</b>
Transfers Recognised - Capital	-	-	-	7 209 991	-	-	-	7 209 991
Contributions Recognised - Capital	-	-	-	-	-	-	-	-
Contributed Assets	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after Capital Transfers &amp; Contributions</b>	<b>(2 470 034)</b>	<b>(2 629 804)</b>	<b>(4 153 342)</b>	<b>(1 161 067)</b>	<b>(1 061 394)</b>	<b>(4 850 719)</b>	<b>10 658 700</b>	<b>(5 667 659)</b>
Taxation	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after Taxation</b>	<b>(2 470 034)</b>	<b>(2 629 804)</b>	<b>(4 153 342)</b>	<b>(1 161 067)</b>	<b>(1 061 394)</b>	<b>(4 850 719)</b>	<b>10 658 700</b>	<b>(5 667 659)</b>
Attributable to Minorities	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) Attributable to Municipality</b>	<b>(2 470 034)</b>	<b>(2 629 804)</b>	<b>(4 153 342)</b>	<b>(1 161 067)</b>	<b>(1 061 394)</b>	<b>(4 850 719)</b>	<b>10 658 700</b>	<b>(5 667 659)</b>
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(2 470 034)</b>	<b>(2 629 804)</b>	<b>(4 153 342)</b>	<b>(1 161 067)</b>	<b>(1 061 394)</b>	<b>(4 850 719)</b>	<b>10 658 700</b>	<b>(5 667 659)</b>

OTHER INFORMATION

	Community and public safety	Economic and environmental services		Energy Sources		Water Management		Trading services		Waste management services		Other		Governance and Administration		Unallocated		Total	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Segment Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	163 132 785.43	163 132 785.43	-	-
Segment liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	103 905 150.22	103 905 150.22	-	-
Additions to non-current assets	-	-	-	-	342 217.73	9 064 386.32	-	-	-	-	362 574.50	-380 280.02	-	-	-	12 656.67	9 401 555.20	-	-
Investment in associates (equity method) and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-cash revenue (included above)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-cash expenditure (included above)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in Surplus/(Deficit)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of Impairment losses recognised in Surplus/(Deficit)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment assets materially impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash flows from operating activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8 237 106.10	-
Cash flows from investing activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-9 490 442.60	-
Cash flows from financing activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-26 924.90	-

Reconciliation of Segment Revenue to Total Revenue as per the Annual Financial Statements for the year ended 30 June 2021

Total Segment Revenue (including capital transfers and contributions)	69 515 660.58
Total Revenue as per Statement of Financial Performance	69 515 660.58

Difference

Reconciling items

Insert reconciling item details  
Insert reconciling item details  
Insert reconciling item details  
Insert reconciling item details

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Reconciliation of Segment Expenses to Total Expenses as per the Annual Financial Statements for the year ended 30 June 2021

Total Segment Expenditure	75 183 319.31
Total Expenditure as per Statement of Financial Performance	75 183 319.31

Difference

Reconciling items

Insert reconciling item details  
Insert reconciling item details  
Insert reconciling item details  
Insert reconciling item details

Reconciliation of the Statement of Financial Performance as at 30 June 2021 as per the Annual Financial Statements vs the Surplus of the Segment report

Surplus/(Deficit) for the year as per Segments	-5 667 658.73
Surplus/(Deficit) for the year as per Statement of Financial Performance	-5 667 658.73

Difference - as explained above

See the explanations for differences above under Revenue and Expenses.

Reconciliation of Segment Assets to Total Assets as per the Annual Financial Statements for the year ended 30 June 2021

Total Segment Assets	163 132 785.43
Total Assets as per Statement of Financial Position	163 132 785.43

Difference

Reconciling items

Insert reconciling item details  
Insert reconciling item details  
Insert reconciling item details  
Insert reconciling item details

Reconciliation of Segment Liabilities to Total Liabilities as per the Annual Financial Statements for the year ended 30 June 2021

Total Segment Liabilities	103 905 150.22
Total Liabilities as per Statement of Financial Position	103 905 150.22

Difference

Reconciling items

Insert reconciling item details  
Insert reconciling item details  
Insert reconciling item details  
Insert reconciling item details

**APPENDIX A**  
**KHAI-MA MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2022**

<b>EXTERNAL LOANS</b>	<b>Rate</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2021</b>	<b>Correction of Error</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 June 2022</b>
<b>LEASE LIABILITY</b>								
Office Equipment	10.000%	Various	31/12/2022	45 765	-	34 749	(32 260)	48 254
Total Lease Liabilities				45 765	-	34 749	(32 260)	48 254
<b>TOTAL EXTERNAL LOANS</b>				45 765	-	34 749	(32 260)	48 254



**APPENDIX B**  
**KHAI-MA MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2021 Actual Income R	2021 Actual Expenditure R	2021 Surplus/ (Deficit) R		2022 Actual Income R	2022 Actual Expenditure R	2022 Surplus/ (Deficit) R
21 805 810	(7 189 788)	14 616 022	<b>Governance and Administration</b>	26 406 047	(8 994 593)	17 411 454
15 308 680	(20 023 339)	(4 714 659)		16 621 391	(20 566 610)	(3 945 219)
-	-	-		-	-	-
978 105	(3 081 541)	(2 103 437)	<b>Community and Public Safety</b>	1 003 636	(3 146 158)	(2 142 522)
(106 896)	(246 368)	(353 264)		(95 624)	(262 287)	(357 911)
-	-	-		-	-	-
-	-	-	Housing	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-	<b>Economic and Environmental Services</b>	-	-	-
-	(1 022 245)	(1 022 245)		-	(1 089 229)	(1 089 229)
(210 227)	(1 397 332)	(1 607 559)		(287 512)	(1 584 066)	(1 871 578)
-	-	-	<b>Trading Services</b>	-	-	-
8 923 103	(13 076 445)	(4 153 342)		11 312 681	(16 626 857)	(5 314 176)
17 759 636	(18 599 152)	(839 516)		24 368 689	(20 881 687)	3 487 002
2 263 180	(3 324 575)	(1 061 394)	Waste management	1 490 433	(2 615 335)	(1 124 903)
1 733 626	(6 161 891)	(4 428 266)		1 942 095	(5 589 455)	(3 647 360)
-	-	-		-	-	-
68 455 018	(74 122 676)	(5 667 659)	<b>Other</b>	82 761 836	(81 356 277)	1 405 559
-	-	-	Sub Total	-	-	-
-	-	-	Less Inter-Departmental Charges	-	-	-
68 455 018	(74 122 676)	(5 667 659)	<b>Total</b>	82 761 836	(81 356 277)	1 405 559

**APPENDIX C**  
**KHAI-MA MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022**  
**MUNICIPAL VOTES CLASSIFICATIONS**

2021 Actual Income R	2021 Actual Expenditure R	2021 Surplus/ (Deficit) R		2022 Actual Income R	2022 Actual Expenditure R	2022 Surplus/ (Deficit) R
1 614 000	(3 542 791)	(1 928 791)	<b>Municipal Manager</b>			
20 191 810	(3 646 997)	16 544 813	Council and General Municipal Manager	5 879 000 20 527 047	(5 111 722) (3 882 871)	767 278 16 644 176
			<b>Finance</b>			
4 246 242	(7 002 567)	(2 756 325)	Chief Financial Officer	4 333 037	(7 515 240)	(3 182 202)
9 472 869	(1 117 753)	8 355 116	Assessment Rates	10 120 720	(1 701 700)	8 419 020
-	-	-	Internal Auditor	-	-	-
-	(664 066)	(664 066)	Other Subsidies	-	(512 704)	(512 704)
248 936	(18 205)	230 731	Property Services	392 786	(8 811)	383 975
98 980	(36 564)	62 416	Vehicle Licencing and Testing	67 837	(29 746)	38 091
			<b>Corporate Services</b>			
(65 947)	(164 894)	(230 841)	Cemetery	(85 301)	(131 583)	(216 884)
435 799	(9 912 516)	(9 476 717)	Corporate Services	554 387	(9 072 956)	(8 518 569)
-	(41 662)	(41 662)	Disaster Management	-	(44 033)	(44 033)
-	-	-	Health	-	-	-
1 054 214	(2 869 283)	(1 815 069)	Library	1 100 000	(2 932 664)	(1 832 664)
(194 275)	(213 846)	(408 122)	Municipal and Public Buildings	(201 220)	(184 713)	(385 933)
1 099 109	(1 758 453)	(659 343)	Public Works	1 421 681	(2 083 190)	(661 509)
-	-	-	Fleet Management	-	-	-
-	-	-	Traffic	-	-	-
			<b>Infrastructure Development</b>			
8 923 103	(12 412 380)	(3 489 276)	Electricity	11 312 681	(16 114 153)	(4 801 472)
(106 896)	(246 368)	(353 264)	Parks and Recreation	(95 624)	(262 287)	(357 911)
1 733 626	(6 161 891)	(4 428 266)	Refuse	1 942 095	(5 589 455)	(3 647 360)
(309 207)	(1 360 769)	(1 669 975)	Roads	(355 349)	(1 554 320)	(1 909 669)
2 263 180	(3 324 575)	(1 061 394)	Sewerage	1 490 433	(2 615 335)	(1 124 903)
(10 162)	(5 702)	(15 865)	Television	(11 064)	(37 878)	(48 942)
-	-	-	Media	-	-	-
17 759 636	(18 599 152)	(839 516)	Water	24 368 689	(20 881 687)	3 487 002
			<b>Economic Development</b>			
-	-	-	Housing	-	-	-
-	(1 022 245)	(1 022 245)	IDP/LED	-	(1 089 229)	(1 089 229)
-	-	-	Tourism	-	-	-
-	-	-	Town Planning	-	-	-
68 455 018	(74 122 676)	(5 667 659)	Sub Total	82 761 836	(81 356 277)	1 405 559
-	-	-	Less Inter-Departmental Charges	-	-	-
68 455 018	(74 122 676)	(5 667 659)	<b>Total</b>	82 761 836	(81 356 277)	1 405 559

APPENDIX D  
KHAI-MA MUNICIPALITY

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, INTANGIBLE ASSETS, BIOLOGICAL ASSETS AND HERITAGE ASSETS AS AT 30 JUNE 2022  
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation					Accumulated Depreciation					Carrying Value	
	Opening Balance	Correction of Error	Additions	Under Construction	Disposals/ Impairment	Closing Balance	Opening Balance	Correction of Error	Depreciation	Disposals/ Impairment		Closing Balance
Executive and council	3 702 619	197 828	5 230 893	-	(268 804)	8 862 536	2 244 420	37 459	393 133	(222 893)	2 452 119	6 410 417
Finance and administration	80 311 787	-	-	-	(907 580)	79 404 207	13 768 620	-	1 235 983	(907 580)	14 097 022	65 307 185
Internal audit	-	-	-	-	-	-	-	-	-	-	-	-
Community and social services	3 384 841	-	-	-	(26 911)	3 357 930	748 618	-	177 895	(22 637)	903 876	2 454 055
Sport and recreation	11 248 463	-	-	-	(1 075)	11 247 388	3 841 657	-	483 907	(1 075)	4 324 489	6 922 899
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-
Planning and development	-	-	-	-	-	-	-	-	-	-	-	-
Road transport	22 514 409	-	-	-	(34 513)	22 479 896	12 368 465	-	597 648	(32 788)	12 933 325	9 546 570
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-
Energy sources	-	-	-	-	-	-	-	-	-	-	-	-
Water management	57 079 001	(197 083)	13 052 944	-	-	69 934 862	14 013 738	-	1 234 859	-	15 248 597	54 686 265
Waste water management	10 236 241	-	-	-	(17 501)	10 218 740	5 799 301	-	185 227	(17 501)	5 967 026	4 251 714
Waste management	18 448 510	485 985	(511 021)	-	(3 509)	18 419 966	13 775 775	-	693 522	(3 509)	14 465 788	3 954 178
Electricity	12 655 003	-	512 163	-	(3 072)	13 164 095	5 765 409	-	187 156	(3 072)	5 949 493	7 214 601
	219 580 875	486 730	18 284 980	-	(1 262 965)	237 089 620	72 326 002	37 459	5 189 330	(1 211 054)	76 341 736	160 747 884



**APPENDIX E**  
**KHAI-MA MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 June 2021	Correction of Error	Restated Balance 30 June 2021	Contributions during the year	Interest on Investments	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Vat transferred to revenue	Retention	Balance 30 June 2022	Unspent 30 June 2022 (Creditor)	Unpaid 30 June 2022 (Debtor)
<b>National Government Grants</b>													
Equitable Share	1 050 000	-	1 050 000	21 156 047	-	-	(22 206 047)	-	-	-	-	-	-
Finance Management Grant	1 025 762	-	1 025 762	2 900 000	-	(1 025 762)	(1 839 387)	-	-	-	-	1 060 613	-
Municipal System Improvement Grant	212 118	-	212 118	-	-	-	-	-	-	-	-	212 118	-
Municipal Infrastructure Grant	-	-	-	14 942 000	-	-	-	(10 110 104)	(1 516 515)	-	-	3 315 381	-
Energy Efficiency and Demand Side Mana	-	-	-	500 000	-	-	-	(500 000)	-	-	-	-	-
Expanded Public Works Programme	119 285	-	119 285	-	-	(119 285)	-	-	-	-	-	-	(0)
Water Services Infrastructure Grant	-	-	-	5 000 000	-	-	-	(3 188 415)	-	-	-	1 811 585	-
<b>Total National Government Grants</b>	<b>2 407 165</b>	-	<b>2 407 165</b>	<b>44 498 047</b>	-	<b>(1 145 047)</b>	<b>(24 045 434)</b>	<b>(13 798 519)</b>	<b>(1 516 515)</b>	-	-	<b>6 399 697</b>	<b>(0)</b>
<b>Provincial Government Grants</b>													
Library	-	-	-	1 100 000	-	-	(1 100 000)	-	-	-	-	-	-
<b>Total Provincial Government Grants</b>	-	-	-	<b>1 100 000</b>	-	-	<b>(1 100 000)</b>	-	-	-	-	-	-
<b>Other Grant Providers</b>													
LG SETA	255 963	-	255 963	52 153	-	-	-	-	-	-	-	308 116	-
<b>Total Other Grant Providers</b>	<b>255 963</b>	-	<b>255 963</b>	<b>52 153</b>	-	-	-	-	-	-	-	<b>308 116</b>	-
<b>Total Grants</b>	<b>2 663 128</b>	-	<b>2 663 128</b>	<b>45 650 200</b>	-	<b>(1 145 047)</b>	<b>(25 145 434)</b>	<b>(13 798 519)</b>	<b>(1 516 515)</b>	-	-	<b>6 707 813</b>	<b>(0)</b>

The municipality complied with the conditions attached to all grants received.

KHAI-MA MUN - Reconciliation of Table A1 Budget Summary

Description	2021/2022						2020/21					
	Original Budget	Budget Adjustments (i.Lo. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
R thousands												
Financial Performance												
Property rates	9 578	33	9 612	9 614		(2)	0.0%	0.4%				9 109
Service charges	25 174	(9 586)	15 588	20 206		(4 618)	29.6%	-19.7%				18 492
Investment revenue	217	106	323	390		(67)	20.7%	80.0%				252
Transfers recognised - operational	26 192	1 963	28 155	26 662		1 493	-5.3%	1.8%				20 358
Other own revenue	5 392	992	6 384	7 641		(1 257)	19.7%	41.7%				7 506
Total Revenue (excluding capital transfers and contributions)	66 553	(6 491)	60 062	64 513		(4 452)	7.4%	-3.1%				55 717
Employee costs	31 963	(169)	31 794	27 971		3 823	-12.0%	-12.5%				27 472
Remuneration of councillors	3 537	63	3 600	3 722		(122)	3.4%	5.2%				2 535
Depreciation & asset impairment	5 226	-	5 226	5 189		36	-0.7%	-0.7%				6 159
Finance charges	1 612	793	2 406	4 778		(2 372)	98.6%	196.4%				3 396
Inventory consumed and bulk purchases	18 085	1 324	19 408	12 752		6 657	-34.3%	-29.5%				11 505
Transfers and grants	-	-	-	-		-	-	-				-
Other expenditure	17 056	624	17 679	26 945		(9 265)	52.4%	58.0%				24 117
Total Expenditure	77 477	2 635	80 113	81 356		(1 244)	1.6%	5.0%				75 183
Surplus/(Deficit)	(10 925)	(9 126)	(20 051)	(16 843)		(3 208)	-16.0%	54.2%				(19 466)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and	18 906	6 087	24 993	13 799		11 195	-44.8%	-27.0%				13 799
Transfers and subsidies - capital (monetary allocations) (National / Provincial De	-	-	-	-		-	-	-				-
Transfers and subsidies - capital (in-kind - all)	-	3 700	3 700	4 200		(500)	13.5%	100.0%				-
Surplus/(Deficit) after capital transfers & contributions	7 982	660	8 642	1 155		7 487	-86.6%	-85.5%				(5 668)
Share of surplus/ (deficit) of associate	-	-	-	-		-	-	-				-
Surplus/(Deficit) for the year	7 982	660	8 642	1 155		7 487	-86.6%	-85.5%				(5 668)
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	-	-	-	-		-	-	-				-
Public contributions & donations	-	-	-	-		-	-	-				-
Borrowing	200	1 349	4 000	3 227		773	-19.3%	1513.3%				-
Internally generated funds	19 106	19 887	38 993	17 025		21 968	-56.3%	-10.9%				-
Total sources of capital funds	19 306	21 236	42 993	20 252		22 741	-52.9%	4.9%				-
Cash flows												
Net cash from (used) operating	-	-	-	-		-	-	-				-
Net cash from (used) investing	-	-	-	-		-	-	-				(27)
Net cash from (used) financing	-	-	-	-		-	-	-				-
Cash/cash equivalents at the year end	-	-	-	-		-	-	-				-

KHAI-MA MUN - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2021/22						2020/21					
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue - Standard</b>												
<b>Governance and administration</b>												
Executive and council	36 602	4 814	41 416	43 027		(1 611)	3.9%	17.6%				37 114
Finance and administration	21 156	4 750	25 906	26 406		(500)	1.9%	24.8%				21 806
Internal audit	15 446	64	15 510	16 621		(1 111)	7.2%	7.6%				15 309
<b>Community and public safety</b>												
Community and social services	652	1 137	1 789	908		881	-49.2%	39.2%				871
Sport and recreation	932	1 137	2 068	1 004		1 065	-51.5%	7.7%				978
Public safety	(279)	-	(279)	(96)		(184)	-65.8%	-65.8%				(107)
Housing	-	-	-	-		-	-	-				-
Health	-	-	-	-		-	-	-				-
<b>Economic and environmental services</b>												
Planning and development	(329)	(65)	(395)	(288)		(107)	-27.2%	-12.7%				(210)
Road transport	-	-	-	-		-	-	-				-
Environmental protection	(329)	(65)	(395)	(288)		(107)	-27.2%	-12.7%				(210)
<b>Trading services</b>												
Electricity	48 534	(2 590)	45 944	39 114		6 830	-14.9%	-19.4%				30 680
Water	13 165	-	13 165	11 313		1 853	-14.1%	-14.1%				8 923
Waste water management	22 490	7 308	29 798	24 369		5 429	-18.2%	8.4%				17 760
Waste management	11 493	(10 186)	1 307	1 490		(183)	14.0%	-87.0%				2 263
<b>Other</b>	1 386	287	1 674	1 942		(268)	16.0%	40.1%				1 734
<b>Total Revenue - Standard</b>	85 459	3 296	88 755	82 762		5 993	93.2%	96.8%				68 455



KHAI-MA MUN - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2021/22						2020/21					
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Expenditure - Standard</b>												
<b>Governance and administration</b>	33 034	(221)	32 814	29 561	-	-	-9.9%	-10.5%	-	-	-	27 213
Executive and council	10 211	(639)	9 572	8 995	(577)	577	-6.0%	-11.9%	-	-	-	7 190
Finance and administration	22 823	419	23 242	20 567	(2 675)	2 675	-11.5%	-9.9%	-	-	-	20 023
Internal audit	-	-	-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>	4 933	(470)	4 463	3 408	-	-	-23.6%	-30.9%	-	-	-	-
Community and social services	4 109	(475)	3 634	3 146	(488)	488	-13.4%	-23.4%	-	-	-	3 328
Sport and recreation	824	5	829	262	(566)	566	-68.3%	-68.2%	-	-	-	3 082
Public safety	-	-	-	-	-	-	-	-	-	-	-	246
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	2 428	1 115	3 543	2 673	-	-	-24.6%	10.1%	-	-	-	2 420
Planning and development	216	1 065	1 282	1 089	(193)	193	-15.0%	403.2%	-	-	-	1 022
Road transport	2 211	50	2 261	1 584	(677)	677	-29.9%	-28.4%	-	-	-	1 397
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>	37 083	2 211	39 293	45 713	-	-	16.3%	23.3%	-	-	-	41 162
Electricity	13 737	2 288	16 025	16 627	602	(602)	3.8%	21.0%	-	-	-	13 076
Water	14 087	1 059	15 186	20 882	5 696	(5 696)	37.5%	48.2%	-	-	-	18 599
Waste water management	4 008	(729)	3 279	2 615	(663)	663	-20.2%	-34.7%	-	-	-	3 325
Waste management	5 251	(447)	4 804	5 589	786	(786)	16.4%	6.4%	-	-	-	6 162
<b>Other</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	77 477	2 635	80 113	81 356	-	(1 243)	1.6%	5.0%	-	-	-	74 123
<b>Surplus/(Deficit) for the year</b>	7 982	660	8 642	1 406	-	7 236	-83.7%	-82.4%	-	-	-	(5 668)

KHAI-MA MUN - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description  R thousand	2021/22							2020/21				
	Original Budget	Budget Adjustments (i.l.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue by Vote												
Vote 1 - Municipal Manager	21 156	4 750	25 906	26 406		(500)	1.9%	24.8%				21 806
Vote 2 - Finance	13 423	75	13 498	14 914		(1 417)	10.5%	11.1%				14 067
Vote 3 - Corporate Services	3 201	1 061	4 262	2 790		1 472	-34.5%	-12.8%				2 329
Vote 4 - Infrastructure Development	47 679	(2 590)	45 089	38 652		6 438	-14.3%	-18.9%				30 253
Vote 5 - Economic Development	-	-	-	-		-	-	-				-
Total Revenue by Vote	85 459	3 296	88 755	82 762		5 993	93.2%	96.8%				68 455
Expenditure by Vote to be appropriated												
Vote 1 - Municipal Manager	10 211	(639)	9 572	8 995	(577)	577	-6.0%	-11.9%	-	-	-	7 190
Vote 2 - Finance	11 425	(192)	11 233	9 768	(1 465)	1 465	-13.0%	-14.5%	-	-	-	8 839
Vote 3 - Corporate Services	16 265	136	16 401	14 449	(1 952)	1 952	-11.9%	-11.2%	-	-	-	14 961
Vote 4 - Infrastructure Development	39 359	2 266	41 625	47 055	5 430	(5 430)	13.0%	19.6%	-	-	-	42 111
Vote 5 - Economic Development	216	1 065	1 282	1 089	(193)	193	-15.0%	403.2%	-	-	-	1 022
Total Expenditure by Vote	77 477	2 635	80 113	81 356	-	(1 243)	101.6%	105.0%	-	-	-	74 123
Surplus/(Deficit) for the year	7 982	660	8 642	1 406		7 236	16.3%	17.6%				(5 668)

KHAI-MA MUN - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2021/22							2020/21				
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue By Source</b>												
Property rates	9 578	33	9 612	9 614		(2)	0.0%	0.4%				9 109
Service charges - electricity revenue	10 450	–	10 450	10 232		219	-2.1%	-2.1%				8 390
Service charges - water revenue	11 219	(9 632)	1 528	6 391		(4 863)	318.4%	-43.0%				6 843
Service charges - sanitation revenue	2 075	(186)	1 889	1 843		46	-2.4%	-11.2%				1 672
Service charges - refuse revenue	1 430	291	1 721	1 741		(20)	1.2%	21.8%				1 588
Rental of facilities and equipment	217	106	323	390		(67)	20.7%	80.0%				252
Interest earned - external investments	222	(92)	130	214		(84)	64.7%	-3.6%				47
Interest earned - outstanding debtors	4 927	(4)	4 923	4 714		209	-4.2%	-4.3%				3 676
Dividends received	–	–	–	–		–	–	–				–
Fines, penalties and forfeits	91	(65)	26	24		3	-9.5%	-73.8%				28
Licences and permits	119	(1)	118	40		78	-65.9%	-66.1%				37
Agency services	–	–	–	–		–	–	–				31
Transfers and subsidies	26 192	1 963	28 155	26 662		1 493	-5.3%	1.8%				20 358
Other revenue	33	1 153	1 187	2 649		(1 462)	123.2%	7818.3%				3 687
Gains	–	–	–	250		(250)	100.0%	100.0%				–
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>66 553</b>	<b>(6 491)</b>	<b>60 062</b>	<b>64 763</b>		<b>(4 702)</b>	<b>107.8%</b>	<b>97.3%</b>				<b>55 717</b>
<b>Expenditure By Type</b>												
Employee related costs	31 963	(169)	31 794	27 971	–	3 823	-12.0%	-12.5%	–	–	–	27 472
Remuneration of councillors	3 537	63	3 600	3 722	–	(122)	3.4%	5.2%	–	–	–	2 535
Debt impairment	5 899	–	5 899	11 724	–	(5 825)	98.7%	98.7%	–	–	–	10 701
Depreciation & asset impairment	5 226	–	5 226	5 189	–	36	-0.7%	-0.7%	–	–	–	6 159
Finance charges	1 612	793	2 406	4 778	–	(2 372)	98.6%	196.4%	–	–	–	3 396
Bulk purchases - electricity	9 961	1 276	11 237	11 654	–	(417)	3.7%	17.0%	–	–	–	6 577
Inventory consumed	8 124	48	8 172	1 098	–	7 074	-86.6%	-86.5%	–	–	–	4 928
Contracted services	3 306	19	3 326	2 181	–	1 145	-34.4%	-34.0%	–	–	–	2 720
Transfers and grants	–	–	–	–	–	–	–	–	–	–	–	–
Other expenditure	7 850	604	8 454	7 952	–	502	-5.9%	1.3%	–	–	–	–
Losses	–	–	–	5 087	–	(5 087)	100.0%	100.0%	–	–	–	10 570
<b>Total Expenditure</b>	<b>77 477</b>	<b>2 635</b>	<b>80 113</b>	<b>81 356</b>	–	<b>(1 244)</b>	<b>101.6%</b>	<b>105.0%</b>	–	–	–	<b>75 183</b>



KHAI-MA MUN - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2021/22						2020/21					
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Surplus/(Deficit)	(10 925)	(9 126)	(20 051)	(16 593)		(3 458)	82.8%	151.9%				(19 466)
Transfers recognised - capital	18 906	6 087	24 993	13 799		11 195	-44.8%	-27.0%				13 799
Contributions recognised - capital	-	-	-	-		-	-	-				-
Contributed assets	-	3 700	3 700	4 200		(500)	13.5%	100.0%				-
Surplus/(Deficit) after capital transfers & contributions	7 982	660	8 642	1 406		7 236	16.3%	17.6%				(5 668)
Taxation	-	-	-	-		-	-	-				-
Surplus/(Deficit) after taxation	7 982	660	8 642	1 406		7 236	16.3%	17.6%				(5 668)
Attributable to minorities	-	-	-	-		-	-	-				-
Surplus/(Deficit) attributable to municipality	7 982	660	8 642	1 406		7 236	16.3%	17.6%				(5 668)
Share of surplus/ (deficit) of associate	-	-	-	-		-	-	-				-
Surplus/(Deficit) for the year	7 982	660	8 642	1 406		7 236	16.3%	17.6%				(5 668)

KHAI-MA MUN - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description  R thousand	2021/2022							2020/21				
	Original Budget	Total Budget Adjustments (t.l.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Capital expenditure - Vote												
Multi-year expenditure												
Vote 1 - Municipal Manager	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Finance	-	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services	-	-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Infrastructure Development	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Economic Development	-	-	-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Single-year expenditure												
Vote 1 - Municipal Manager	200	3 800	4 000	4 962	962	(962)	24.1%	2381.0%	-	-	-	-
Vote 2 - Finance	-	-	-	(908)	-	908	-100%	-100%	-	-	-	-
Vote 3 - Corporate Services	-	-	-	(28)	-	28	-100%	-100%	-	-	-	-
Vote 4 - Infrastructure Development	18 906	16 087	34 993	12 995	-	21 998	-63%	-31%	-	-	-	-
Vote 5 - Economic Development	-	-	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure	19 106	19 887	38 993	17 022	962	21 971	-239%	2150%	-	-	-	-
Total Capital Expenditure - Vote	19 106	19 887	38 993	17 022	962	21 971	-239%	2150%	-	-	-	-

KHAL-MA MUN - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2021/2022							2020/21				
	Original Budget	Total Budget Adjustments (t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Capital Expenditure - Standard												
Governance and administration												
Executive and council	200	3 800	4 000	4 055	-	(55)	-76%	2281%	-	-	-	-
Finance and administration	200	3 800	4 000	4 962	-	(962)	24%	2381%	-	-	-	-
Internal audit	-	-	-	(908)	-	908	-100%	-100%	-	-	-	-
Community and public safety	-	-	-	(28)	-	28	-200%	-200%	-	-	-	-
Community and social services	-	-	-	(27)	-	27	-100%	-100%	-	-	-	-
Sport and recreation	-	-	-	(1)	-	1	-100%	-100%	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-
Economic and environmental services	-	-	-	(35)	-	35	-100%	-100%	-	-	-	-
Planning and development	-	-	-	-	-	-	-	-	-	-	-	-
Road transport	-	-	-	(35)	-	35	-100%	-100%	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-
Trading services	18 906	16 087	34 993	13 033	-	21 960	-318%	-186%	-	-	-	-
Electricity	2 000	-	2 000	512	-	1 488	-74%	-74%	-	-	-	-
Water	6 906	16 087	22 993	13 053	-	9 940	-43%	89%	-	-	-	-
Waste water management	10 000	-	10 000	(18)	-	10 018	-100%	-100%	-	-	-	-
Waste management	-	-	-	(515)	-	515	-100%	-100%	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	19 106	19 887	38 993	17 025	-	21 968	-694%	1795%	-	-	-	-
Funded by:												
National Government	18 906	16 087	34 993	13 799	-	21 195	-61%	-27%	-	-	-	-
Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	18 906	16 087	34 993	13 799	-	21 195	-61%	-27%	-	-	-	-
Public contributions & donations	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	200	1 349	4 000	3 227	-	773	81%	1613%	-	-	-	-
Total Capital Funding	19 106	19 887	38 993	17 025	-	21 968	20%	1586%	-	-	-	-



KHAI-MA MUN - Reconciliation of Table A7 Budgeted Cash Flows

Description	2021/22						2020/21	
	Original Budget	Budget Adjustments (f.o.s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
Receipts								
Property rates	7 662	33	7 696	8 663	(7 662)	12.6%	13.1%	7 956
Service charges	25 304	(9 484)	15 821	14 063	(25 304)	-11.1%	-44.4%	11 528
Other revenue	243	1 088	1 331	4 185	(243)	214.3%	1620.0%	1 730
Transfers and Subsidies - Operational	26 192	1 963	28 155	30 707	(26 192)	9.1%	17.2%	27 473
Transfers and Subsidies - Capital	18 906	6 087	24 993	13 799	(18 906)	-44.8%	-27.0%	5 658
Interest	222	(92)	130	214	(222)	64.7%	-3.6%	47
Dividends	-	-	-	-	-	-	-	-
Payments								
Suppliers and employees	(58 901)	(2 635)	(59 536)	(51 144)	56 901	-14.1%	-10.1%	(16 023)
Finance charges	-	-	-	(1 542)	-	-100.0%	-100.0%	(29 366)
Transfers and Grants	-	-	-	-	-	-	-	(806)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>21 630</b>	<b>(3 040)</b>	<b>18 590</b>	<b>18 944</b>	<b>(21 630)</b>	<b>130.7%</b>	<b>1465.1%</b>	<b>8 237</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Receipts								
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-
Decrease (increase) in non-current debtors	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-
Payments								
Capital assets	(19 106)	(6 087)	(25 293)	(14 503)	19 206	-42.7%	-24.1%	(9 490)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(19 106)</b>	<b>(6 187)</b>	<b>(25 293)</b>	<b>(14 503)</b>	<b>19 206</b>	<b>-42.7%</b>	<b>-24.1%</b>	<b>(9 490)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Receipts								
Short term loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	16	-	16	-	(16)	-100.0%	-100.0%	-
Payments								
Repayment of borrowing	-	-	-	-	-	-	-	(27)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>16</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>(16)</b>	<b>-100.0%</b>	<b>-100.0%</b>	<b>(27)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>2 540</b>	<b>(9 227)</b>	<b>(6 687)</b>	<b>4 441</b>				<b>(1 280)</b>
Cash/cash equivalents at the year begin:	13 294	-	13 294	14				1 295
Cash/cash equivalents at the year end:	15 834	(9 227)	6 607	4 456	(15 834)	-32.0%	-71.9%	14