

!Kheis Local Municipality

(Registration number NC084)

Annual Financial Statements for the year ending 30 June 2022



The

The

!Kheis

Munisipaliteit
Municipality

Financial statements

for the year ended 30 June 2022

!Kheis Local Municipality

Annual Financial Statements for the year ending 30 June 2022

(Registration number NC084)

GENERAL INFORMATION

Legal form of entity	!Kheis Local Municipality is a Category B municipality (local municipality) as defined by the Municipal Structures Act (Act no. 117 of 1998)
Nature of business and principal activities	!Kheis Local Municipality is a local municipality performing its functions as set out in the Constitution (Act no. 105 Of 1996)
Jurisdiction	!Kheis Municipality includes the areas Grootdrink, Gariep, Topline, Wegdraai, Opwag, Groblershoop and Boegoeberg
Members of Council	
Appointed	Wednesday, November 3, 2021
Mayor	Cllr RV Christie
Speaker	Cllr K Esau
Councillors	Cllr D Jacobs Cllr A Ludick Cllr K Boer Cllr H van Wyk Cllr J Lodewyk
The accounting officer is responsible for the p	Cllr J Jooste Cllr P Vries Cllr M Malgas Cllr J Ballies
The annual financial statements set out on all	Tuesday, November 2, 2021
Mayor	Cllr. A Diergaardt
Councillors	Cllr. S Esau Cllr. A Tobias Cllr. J Silo Cllr. G Beukes Cllr. K Esau Cllr. E Cloete
Capacity of local authority	Low capacity municipality
Accounting Officer	SC van Eck Acting Municipal Manager
Chief Financial Officer (CFO)	D Block Chief Financial Officer
Registered Office	97 Orange Street Groblershoop 8850
Business address	97 Orange Street Groblershoop 8850

Postal address

Pravite Bag X2
Groblershoop
8850

Bankers

First National Bank
Groblershoop
8850

Telephone number:

054 833 9500

Fax number:

054 833 9509

E-mail address:

fvaneck3@gmail.com

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General information (continued)

Auditors	Auditor - General Private Bag X5013 Kimberley 8300
Attorneys	Becker Bergh and Moore
Enabling Legislation	Local Government: 'Municipal Finance Management Act (Act no 56 of 2003) Local Government: Municipal Systems Act (Act no 32 of 2000) Local Government: Municipal Structures Act (Act no 117 of 1998) Municipal Property Rates Act (Act no 6 of 2004) Municipal Standard Chart of Accounts
The accounting officer is responsible for	Division of Revenue Act (Act 6 of 2011) Municipal Planning and Performance Management Regulations Water Service Act (Act 108 of 1997) Housing Act (Act no 107 of 1997) Basic Conditions of Employment Act (Act no 75 of 1997)
The annual financial statements set out	Supply Chain Management Regulations, 2005 Skills Development Levies Act (Act 9 of 1999) Unemployment Insurance Act (Act no 30 of 1966) Employment Equity Act (Act 55 of 1998) Electricity Act (Act no 41 of 1987) The Income Tax Act Value Added Tax Act Collective Agreements Infrastructure Grants SALBC Leave Regulations

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

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Accounting Officer's Report

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Statement of Changes in Net Assets

Statement of Financial Performance

The accounting officer is responsible for the preparation of these financial statements, which are set out on all **pages** in terms of section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. In the year under review and after many years of using external consultant to prepare and

Statement of Comparison of Budget and Actual Amounts

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

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Appendix B: Analysis of Property, Plant and Equipment

!Kheis Local Municipality

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Abbreviations

COID	Compensation of Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
IAS	International Accounting Standard
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (previously CMIP)
MSIG	Municipal Systems Improvement Grant
DWA	Department of Water Affairs
FMG	Financial Management Grant

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Accounting Officer's Responsibilities and Approval

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

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.

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

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

I reviewed the municipality's cash flow forecast for the year to 30 June 2022 and its financial position as at 30 June 2021, and, in my opinion, the municipality is sound enough financially to be able to continue its service obligations to its community. The mandate of the municipality is encapsulated in Section 152 of the Constitution of the Republic of South Africa. In my opinion the municipality still falls short of delivering services in accordance with its Constitutional injunction, however it being a not for profit entity gives me comfort that it will continue to be able to deliver on its mandate. This is more so that we have improved on efficiencies, reduced employee costs and have improved our control environment.

The accounting officer is responsible for the preparation of these financial statements, which are set out on all **pages** in terms of section 126 (1) of the Municipal finance Management Act and which I have signed on behalf of the municipality. In the years under review and after many years of using external consultant to prepare and compile the AFS, the Accounting Officer took a bold decision that these statements will be compiled internally.

I certify that salaries, allowances and benefits of Councillors as disclosed in **note 25** of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the constitution, read with the remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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

SC van Eck
Acting Municipal Manager

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Annual Financial Statements for the year ending 30 June 2022

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2022

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services in accordance with the objects of local government as encapsulated in Section 152 of the Constitution and operates principally in the Northern Cape Province in South Africa.

The operating results and the state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comments.

2. Going concern

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

The accounting officer is responsible for the preparation of these financial statements, which are set out on all pages in terms of section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. In the year under review and after many years of using external consultant to prepare and compile the AFS, the Accounting Officer took a bold decision that these statements will be compiled internally.

The ability of the municipality to continue as a going concern is dependent on a number of factors. Key among these is the quality and caliber of senior management charged with implementing the Service Delivery and Budget Implementation Plans of the municipality. The ability to take stock of the processes in place to identify, evaluate, monitor and control risks associated with successful delivery of strategic and operational objectives which ensure sustainability is of utmost importance. The most significant of this is the deliberate action that must be taken is to reduce employee costs, enhance revenue and

Cash flow was an impediment to delivery services in accordance with the Constitutional injunction more so that over R6million had to be returned to the National Revenue Fund due to non-compliance with DORA by my predecessor. This also had a direct impact on the ability of the municipality to service third party debt.

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

3. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

4. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name

SC van Eck

Nationality

RSA Citizen

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Annual Financial Statements for the year ending 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	Restated 2021
Assets			
Current assets			
Other financial assets	5	136,259	131,385
Inventories	6	20,372	19,199
Other receivables from non-exchange transactions	7	5,024,264	3,547,425
VAT receivable	8	7,317,906	4,917,734
Trade and other receivables from exchange transactions	9	34,879,136	32,243,502
Cash and cash equivalents	10	500,353	3,077,981
The accounting officer is responsible for the preparation of these financial statements		47,878,291	43,937,227
Non-current assets			
Property, plant and equipment	4	196,830,362	193,700,035
		196,830,362	193,700,035
Total assets		244,708,653	237,637,262
Liabilities			
Current liabilities			
Unspent conditional grants and receipts	12	11,455,971	12,063,617
Employee benefit obligation	14	-	180,000
Payables from exchange transactions	15	56,879,228	47,466,772
VAT payable	8	-	-
Finance lease obligation	16	874,830	874,830
Consumer deposits	17	116,716	116,716
		69,326,744	60,701,935
Non-current liabilities			
Finance lease obligation	11	1,559,748	1,559,748
Employee benefit obligation	14	2,075,000	1,895,000
Provisions	13	54,611,266	52,638,744
		58,246,014	56,093,492
Total liabilities		127,572,758	116,795,427
Net assets		117,135,894	120,841,835
Accumulated surplus / (deficit)		117,135,894	120,841,838
Total net assets		117,135,894	120,841,838

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Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total net assets
Balance at 01 July 2019	176,690,341	176,690,341
Changes in nett assets	-	-
Prior Adjustment	-	-
Surplus for the year	(38,053,317)	(38,053,317)
Total changes	(38,053,317)	(38,053,317)
Balance at 30 June 2020	138,507,381	138,507,381
Changes in nett assets	-	-
Prior Adjustment	(1,332,810)	(1,332,810)
Surplus for the year	(16,332,734)	(16,332,734)
Total changes	(17,665,543)	(17,665,543)
Balance at 30 June 2021	120,841,838	120,841,838
Changes in nett assets	-	-
Prior Adjustment	-	-
Surplus for the year	(3,705,944)	(3,705,944)
Total changes	(3,705,944)	(3,705,944)
Balance at 30 June 2022	117,135,894	117,135,894

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Statement of Financial Performance

Figures in Rand	Note (s)	2022	Restated 2021
Revenue			
Revenue from exchange transactions			
Sale of goods		231,170	423,100
Rental of facilities and equipment		227,173	295,384
Service charges	20	10,714,993	10,045,790
Licenses and permits		185,092	774,942
Other income	22	421,257	120,641
Interest received - Exchange transactions	27	5,913,831	5,043,496
Interest received - investment	27	58,520	168,064
Total revenue from exchange transactions	18	17,752,036	16,871,417
Revenue from non-exchange transactions			
Taxation revenue			
Property rates		5,146,853	3,391,831
Interest received - Non exchange transactions		4,718	4,747
Transfer revenue			
Government grants & subsidies		40,175,926	48,912,401
Total revenue from non-exchange transactions		45,327,497	52,308,979
Total revenue		63,079,533	69,180,397
Expenditure			
Employee related cost	24	(29,975,456)	(31,312,459)
Remuneration of councillors	25	(3,795,134)	(2,988,048)
Debt impairment	26	(11,681,983)	(10,511,106)
Depreciation and amortisation	28	(5,359,382)	(7,575,210)
Impairments		(332,955)	(14,473,854)
Finance costs	29	(1,972,522)	(3,914,515)
Grants and Subsidies Paid - MSIG Expenditure	31		
Repairs and maintenance			
Bulk purchases	32	(2,220,340)	(1,170,197)
General expenses	23	(11,447,705)	(13,567,741)
Total expenditure		(66,785,477)	(85,513,130)
Operating (deficit) surplus		(3,705,944)	(16,332,734)
Gain on non-current assets held for sale or disposal groups		-	-
(Deficit) surplus for the year		(3,705,944)	(16,332,734)

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Cash Flow Statement

Figures in Rand	Note (s)	2022	Restated 2021
Cash flows from operating activities			
Receipts			
Taxation / Sale of goods and services		16,505,281	14,931,046
Grants		40,175,926	48,912,401
Interest income from investing activities		58,520	168,064
Interest received from trading activities		5,918,549	5,048,243
Other income		421,257	120,641
		<u>63,079,533</u>	<u>69,180,397</u>
Payments			
Employee costs		(33,770,589)	(34,300,507)
Suppliers		(13,668,045)	(14,737,938)
T Finance costs		(1,972,522)	(3,914,515)
Other payments			
		<u>(49,411,157)</u>	<u>(52,952,960)</u>
T Net cash flows from operating activities	33	<u>13,668,376</u>	<u>16,227,437</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(7,813,683)	(13,744,172)
Proceeds from sale of property, plant and equipment	4		
Purchase from other intangible assets	5	-	-
		<u>(7,813,683)</u>	<u>(13,744,172)</u>
Net cash flows from investing activities			
Cash flows from financing activities			
Finance lease written off/New finance leases		-	-
Transfer to payables from exchange transactions			
Finance lease payments		-	-
		<u>-</u>	<u>-</u>
Net cash flows from financing activities			
Net increase / (decrease) in net cash and cash equivalents		5,854,693	2,483,265
Cash and cash equivalents at beginning of year		3,077,981	2,685,763
Cash and cash equivalents at end of the year	10	<u>500,353</u>	<u>3,077,981</u>

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue by source						
Property rates	10,638,423	3,000,000	13,638,423	-5,131,533	-18,769,956	The collection rate of the municipality drops below the projection due to the increase in unemployment as well as the Covid - 19 pandemic
Service charges	14,055,910	1,125,000	15,180,910	-10,639,880	-25,820,790	The collection rate of the municipality drops below the projection due to the increase in unemployment as well as the Covid - 19 pandemic
Investment revenue	631,353	-	631,353	-61,673	-693,026	The collection rate contributes towards the short term investment. The cash flow didn't allow the municipality to make adequate investments
Transfers recognised - operational	32,482,000	-	32,482,000	32,863,438	381,438	Offset of unspent conditional grants against the Equitable shares
Other own revenue	12,619,458	2,538,289	15,157,747	-7,045,558	-22,203,305	The municipality didn't operate as normal for about six months during the lock down, but fix payments had to be done
Total revenue (excluding capital transfers and contributions)	70,427,144	6,663,289	77,090,433	9,984,794	-67,105,639	
Expenditure by type						
Employee costs	31,523,085	-125,837	31,397,248	29,975,456	-1,421,792	Saving on unfilled positions that had been budgeted for as well a dismissal of staff due to disciplinary actions
Remuneration of councillors	3,057,214	853,981	3,911,195	3,795,134	-116,061	Council members had been increased and the municipality is now having a fulltime Mayor and Speaker
Debt impairment	-	-	-	-11,681,983	-11,681,983	Council embarked on a process of debtors cleansing, hence the large impairment
Depreciation and asset impairment	5,295,036	4,487,675	9,782,711	-5,020,838	-14,803,549	The municipality had a saving and the impairment of assets contributed towards the saving
Finance charges	-	-	-	-1,972,522	-1,972,522	The recalculation of landfill sites as well as the Finance leases had been taken into account for the current year
Materials and bulk purchases	1,556,909	800,000	2,356,909	2,077,119	-279,790	The cash flow challenges faced during the financial year contribute towards non payment of the Water board and maintenance
Transfers and grants	417,464	-	417,464	-	-417,464	These expenses had been set off againsts the various service charges as revenue forgone
Other expenditure	18,160,106	6,313,463	24,473,569	7,874,423	-16,599,146	The cash flow challenges faced during the financial year contribute towards non payment of other commitments, but are included in the outstanding creditors list
Total expenditure	60,009,814	12,329,282	72,339,096	25,046,789	-47,292,307	
Surplus/(Deficit)	10,417,330	-5,665,993	4,751,337	-15,061,995	-19,813,332	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Transfers recognised - capital	16,040,000	-2,500,000	13,540,000	7,312,488	-6,227,512	The expenses for EPWP had been not been included as capital expenses, but the surface of the the road, as a capital aseets had been done under this programme
Surplus (Deficit) after capital transfers and contributions	26,457,330	-8,165,993	18,291,337	-7,749,507	-26,040,844	
Surplus/(Deficit) for the year	26,457,330	-8,165,993	18,291,337	-7,749,507	-26,040,844	
Reconciliation						
Statement of Financial Position						
Assets						
Current Assets						
Cash	-7,205,926	2,065,367	-5,140,559	-192,731	4,947,828	The cash flow sataus of the municipality as on 30 June 2022 contributed haevy towards the big saving on cash. The municipality did not pay salaries for 3 consecutive months
Consumer debtors	64,631,809	4,125,000	68,756,809	39,797,243	-28,959,566	Impairment and VAT disclosure
Other debtors	6,810,230	217,335	7,027,565			Management is stille busy with the service provider to sort out the unallocated debtors that is creating various challenges for the municipality
VAT	-	-	-	7,317,906	7,317,906	VAT that was only provided to be paid in the new financial year
Current portion of long-term receivables	54,755	-	54,755	-	-54,755	
Inventory	185,388	-	185,388	20,372	-165,016	Stock take at year end previously expensed
Non-Current Assets						
Property, Plant and Equipment	192,431,092	-6,987,675	185,443,417	197,180,554	11,737,137	The WIP had been reviewed and various completed projects had been removed from the WIP register
Intangible	-	-	-	-	-	
Total Assets	256,907,348	-579,973	256,327,375	244,123,344	-5,176,466	
Liabilities						
Current Liabilities						
Bank overdraft	-	-	-	-	-	
Borrowing	2,391,088	-	2,391,088	-	-2,391,088	
Consumer deposits	98,492	-	98,492	94,795	-3,697	
Trade and other payables	57,764,072	7,586,020	65,350,092	53,474,678	-11,875,414	Provision for salaries only paid in July had been included in the payables
Provisions	9,862,651	-	9,862,651	56,798,401	46,935,750	Provision for landfill sites not previously provided during the financial year
Other current liabilities	-	-	-	12,805,489	12,805,489	Provision for unspent conditional grants as a liability against the municipality
	70,116,303	7,586,020	77,702,323	123,173,364	45,471,041	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Non-Current Liabilities						
Borrowing	1,620,578	-	1,620,578	204,069	-1,416,509	Nashua leases
	<u>1,620,578</u>	<u>-</u>	<u>1,620,578</u>	<u>204,069</u>	<u>-1,416,509</u>	
Total Liabilities	<u>71,736,881</u>	<u>7,586,020</u>	<u>79,322,901</u>	<u>123,377,432</u>	<u>44,054,531</u>	
Nett Assets	<u>185,170,467</u>	<u>-8,165,993</u>	<u>177,004,474</u>	<u>120,745,911</u>	<u>-49,230,998</u>	
Community wealth/equity						
Accumulated Surplus/(deficit)	185,501,330	-8,165,993	177,335,337	140,158,483	-37,176,854	3 Prior year adjustments updated FAR
Total community wealth/equity	<u>185,501,330</u>	<u>-8,165,993</u>	<u>177,335,337</u>	<u>140,158,483</u>	<u>-37,176,854</u>	

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Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Property rates	10,638,423	3,000,000	13,638,423	-		13,638,423	-5,131,533		18,769,956	-38%	-48%
Service charges	14,055,910	1,125,000	15,180,910	-		15,180,910	-10,639,880		25,820,790	-70%	-76%
Investment revenue	631,353	-	631,353	-		631,353	-61,673		693,026	-10%	-10%
Transfers recognised - operational	32,482,000	-	32,482,000	-		32,482,000	32,863,438		-381,438	101%	101%
Other own revenue	12,619,458	2,538,289	15,157,747	-		15,157,747	-7,045,558		22,203,305	-46%	-56%
Total revenue (excluding capital transfers and contributions)	70,427,144	6,663,289	77,090,433	-		77,090,433	9,984,794		67,105,639	13%	14%
Employee costs	31,523,085	-125,837	31,397,248	-	-	31,397,248	29,975,456	-	1,421,792	95%	95%
Remuneration of councillors	3,057,214	853,981	3,911,195	-	-	3,911,195	3,795,134	-	116,061	97%	124%
Debt impairment	-	-	-	-	-	-	-11,681,983	-	11,681,983	#DIV/0!	#DIV/0!
Depreciation and asset impairment	5,295,036	4,487,675	9,782,711	-	-	9,782,711	-5,020,838	-	14,803,549	-51%	-95%
Finance charges	-	-	-	-	-	-	-1,972,522	-	1,972,522	#DIV/0!	#DIV/0!
Materials and bulk purchases	1,556,909	800,000	2,356,909	-	-	2,356,909	2,077,119	-	279,790	88%	133%
Transfers and grants	417,464	-	417,464	-	-	417,464	-	-	417,464	0%	0%
Other expenditure	18,160,106	6,313,463	24,473,569	-	-	24,473,569	7,874,423	-	16,599,146	32%	43%
Total expenditure	60,009,814	12,329,282	72,339,096	-	-	72,339,096	25,046,789	-	47,292,307	35%	42%
Surplus/(Deficit)	10,417,330	-5,665,993	4,751,337	-	-	4,751,337	-15,061,995	-	19,813,332	-0	-0

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Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	16,040,000	-2,500,000	13,540,000	-		13,540,000	7,312,488		6,227,512	54%	46%
Surplus (Deficit) after capital transfers and contributions	26,457,330	-8,165,993	18,291,337	-		18,291,337	-7,749,507		26,040,844	32%	18%
Surplus/(Deficit) for the year	26,457,330	-8,165,993	18,291,337	-		18,291,337	-7,749,507		26,040,844	32%	18%
Capital expenditure and funds sources											
Total capital expenditure	-	-	-	-		-	-		-	0%	0%
Cash flows											
Net cash from (used) operating	-6,303,853	-	-6,303,853	-		-6,303,853	-16,046,127		9,742,274	255%	255%
Net cash from (used) investing	16,905,000	-	16,905,000	-		16,905,000	8,595,948		8,309,052	51%	51%
Net cash from (used) financing	-	-	-	-		-	204,069		-204,069	#DIV/0!	#DIV/0!
Net increase/(decrease) in cash and cash equivalents	10,601,147	-	10,601,147	-		10,601,147	-7,246,110		17,847,257	#DIV/0!	#DIV/0!
Cash and cash equivalents at the beginning of the year	-1,097,000	-	-1,097,000	-		-1,097,000	4,982,352		-6,079,352	-454%	-454%
Cash and cash equivalents at year end	9,504,147	-	9,504,147	-		9,504,147	-2,263,758		11,767,905	-24%	-24%

1.1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1.1 Changes in Accounting Policy and Comparability

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

For the years ended 30 June 2014 and 30 June 2015 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

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 is 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 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 annual financial statements.

1.1.2 Significant judgements and sources of estimation uncertainty

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

1.1.2.1 Trade receivables / Held to maturity investments and/or loans and receivables

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

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

1.1.2.2 Allowance for slow moving, damaged and obsolete stock

An allowance is made for slow-moving, damaged and obsolete inventory to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

1.1.2.3. Statutory Receivables

Statutory receivables are measured at each reporting date using the cost method as outlined in GRAP 108. Applying the cost method means that the initial transaction amount is only adjusted for the following:

Interest or other penalties. Interest is charged based on the nominal rate outlined in the credit and debt collection policy.

Payments received and other amounts that are derecognised by the entity, for example amounts waived by the entity.

Impairment losses:

The municipality assesses at each reporting date whether there is any indication that an impairment loss should be recognised by comparing the carrying amount of the receivable to the cash flows the entity expects to receive. The cash flows are discounted if the time value of money is material.

1.1.2 Significant judgements and sources of estimation uncertainty (Continued)

1.1.2.3 Fair value estimation

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

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

1.1.2.4 Provisions and contingent liabilities

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

1.1.2.5 Useful lives of property, plant and equipment and intangible assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

1.1.2.6 Allowance for doubtful debts

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

1.1.2.7 GRAP 24: Presentation of Budget information

The municipality is required to present a comparison of the budget amounts for which it is held publicly accountable. The comparison of budget and actual amounts present separately for each level of legislative oversight:

- the approved and final budget
- the adjustment budget
- the actual amounts on a comparative basis

1.1.2.8 Revenue Recognition

Accounting Policy 11.2 on *Revenue from Exchange Transactions* and Accounting Policy 11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the 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*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.1.2.9 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

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

1.1.2 Significant judgements and sources of estimation uncertainty (Continued)

1.1.2.10 Impairment of Financial Assets

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (*Financial Instruments*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- **Impairment of Trade 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 is performed per service-identifiable categories across all classes of debtors.

1. 1.2.11 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

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

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.1.2.12 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories

Accounting Policy 7 on *Impairment of Assets*, Accounting Policy 4.2 on *Intangible Assets – Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 9.2 on *Inventory – Subsequent Measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

1.1.2.13 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy 6 - Inventory.

1.1.2.14 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.1.2 Significant judgements and sources of estimation uncertainty (Continued)

1.1.3 Presentation Currency

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

1.1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

The following had been taken into account regarding the going concern of the AFS:

1. The CFO had been put on special leave for the first 6 months of the financial year, making it very difficult to perform certain financial transactions,
2. The Municipal Manager had been suspended and ultimately dismissed from the municipality with the appointment of the new council,
3. The cash flow of the municipality is making it very difficult for the municipality to meet commitments in line with the MFMA,
4. Salaries had not been paid for long periods of the financial year, making cooperation from officials very difficult,
5. The debtors age analysis is growing without any positive response from the communities,

1.1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 had been delayed, in terms of Directive 5, for municipalities for the 2017/18 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 was 1 April 2019.

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

REFERENCE	TOPIC	EFFECTIVE DATE	Expected impact:
• GRAP 1	Amendments to GRAP 1 on Presentation of Financial Statements	01 April 2023	Early adopt amendments
• GRAP STANDARDS	Improvement to Standards of GRAP 2021	01 April 2023	Early adopt amendments (per standard)
• GRAP 17	Effective date of Improvement, particularly improvement to GRAP 17 on Property, Plant and Equipment		No significant impact is expected
• GRAP 104	Financial Instruments	01 April 2025	Early adoption of entire Standard permii
• GRAP 25	Employee benefits	01 April 2024	Early adoption of entire Standard permii

1.2. Property, plant and equipment (Continued)

1.2.1 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 period.

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

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. 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.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If

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

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

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

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

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

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

1.2.2 Subsequent Measurement

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

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

1.2.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

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

Buildings

- Buildings	25-30 Years
- Improvements	25-30 Years
- Recreational Facilities	20-30 Years

Infrastructure

- Roads and paving	30 Years
- Pedestrian malls	15-30 years
- Electricity	15-20 years
- Water resevoirs	30-50 years
- Sewerage pump stations	30-55 years
- Housing	25-30 years

Other property, plant and equipment

- Specialist vehicles	5-10 years
- Other vehicles	4-7 years
- Office equipment	5-7 years
- Furniture and Fittings	5-7 years
- Bins and containers	5 years
- Specialized plant and equipment	10-15 years
- Other plant and equipment	2-5 years
- Landfill sites	10 - 15 years
- Lease hold property	3-5 years
- Security	3-5 years

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

1.2.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

1.2.5 Infrastructure Assets

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

1.2. Property, plant and equipment (continued)

1.2.6 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

1.2.7 Leased Assets

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

1.2.8 Derecognition

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

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

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

1.3. Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

Intangible assets (continued)

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

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

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

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

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

Intangible assets are derecognised:

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

1.4. Financial Instruments Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

1.4. Financial Instruments Classification (continued)

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Consumer deposits are subsequently recorded in accordance with the accounting policy of trade and other payable.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

Fair value information for trade and other receivables is determined as the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The fair values of quoted investment are based on current bid prices

If the market for a financial asset is not active (and for unlisted securities) , municipality established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

1.4.1 Impairment of financial assets

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

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

1.4. Financial Instruments Classification (continued)

1.4.1 Impairment of financial assets (Continued)

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.

- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
 - (i) Derivatives;
 - (ii) Combined instruments that are designated at fair value;
 - (iii) Instruments held for trading;
 - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at
 - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial

- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Non-current Investments	Financial Assets at Amortised Cost
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Non-current Investments	Financial Assets at Amortised Cost
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

1.4. Financial Instruments Classification (continued)

1.4.2 Financial Liabilities – Classification (Continued)

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Bank Overdraft	Financial Liabilities at Amortised Cost
Short-term Loans	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

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

1.4.3 Initial and Subsequent Measurement

1.4.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

1.4.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

1.4. Financial Instruments Classification (continued)

Financial Liabilities held at Amortised Cost (Continued)

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

1.4.3.3 Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncorrectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

1.4.3.4 Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.4.3.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.4.3.6 Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

1.4.3.7 Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

1.4. Financial Instruments Classification (continued)

1.4.3.8 Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

1.4.3.9 Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

A gain or loss on an available - for - sale financial asset is recognised directly in net assets, through the statement of

- changes in net assets, until financial assets is derecognised, at time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit

- when the financial asset or financial liability is derecognised or impaired, and through the amortisation process

1.4.3.10 Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed 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.

1.5. Leases

1.5.1 Classification

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

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

1.5. Leases (Continued)

1.5.2 The Municipality as Lessee

1.5.2.1 Finance leases - lessee

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

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

1.5.2.2 Operating leases - lessor

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

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

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

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

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

1.5.3 The Municipality Operating leases - lessee

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

1.5.4 Determining whether an Arrangement contains a Lease

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

1.6. Inventories

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

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

1.6. Inventories (continued)

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.7. Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates 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.

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

1.7. Impairment of cash-generating assets (continued)

1.7.1 Identification

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

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

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

1.7.2 Value in use

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

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

1.7.3 Discount rate

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

1.7.4 Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.7.5 Cash-generating units

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

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

1.7. Impairment of cash-generating assets (Continued)

1.7.5 Cash-generating units (Continued)

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

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

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

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

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

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

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

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

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

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

1.7.6 Reversal of impairment loss

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

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

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no

impairment loss been recognised for the asset in prior periods.

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

1.7. Impairment of cash-generating assets (continued)

1.7.7 Redesignation

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

1.7.8 Impairment of non-cash-generating assets

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

When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Useful life is either:

(b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.7.9 Identification

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

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

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

1.7.10 Value in use

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

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

1.7.11 Depreciated replacement cost approach

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

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

1.7. Impairment of cash-generating assets (continued)

1.7.12 Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. 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 determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

1.7.13 Service units 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. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

1.7.14 Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.7.15 Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

1.7.18 Redesignation

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

1.8. Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide postemployment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.8.1 Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

1.8. Employee benefits (continued)

1.8.1 Short-term employee benefits (continued)

- 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 recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

1.8.2 Long Service Awards

Where the entity pay insurance premiums to fund a post-employment benefit plan, the entity treats such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation to either:

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

1.8.3 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

1.8. Employee benefits (continued)

1.8.3 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- 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.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and

unemployment) that impact on the ability of entities to repay their obligations.

1.8. Employee benefits (continued)

1.8.3 Provisions and contingencies (continued)

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date.

Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.9. REVENUE RECOGNITION

1.9.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

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

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

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.

1.9.2 Revenue from exchange transactions

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

Revenue consists primarily of grants of National- and Provincial Government, service charges, rentals, interest received and other service rendered

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

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1

1.9. REVENUE RECOGNITION (Continued)

1.9.2.1 Measurement

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

1.9.2.2 Sale of goods

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

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

1.9.2.3 Rendering of services

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

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

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Rendering of services consist out of solid waste, sanitation, sewerage and water.

1.9.2.4 Interest

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

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

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

1.9. REVENUE RECOGNITION (Continued)

1.9.2.5 Service Charges

Service Charges are levied in terms of approved tariffs.

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the number of refuse collections on each property during the week.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

1.9.2.6 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease

1.9.2.7 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on Trust Funds is allocated directly to the fund.
- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional Grants,

1.9.2.8 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

1.9.2.9 Royalties

Royalties are recognised on an *Accrual Basis* in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a *Straight-line Basis* over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

1.9.2.10 Tariff Charges

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

1.9.2.11 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

1.9. REVENUE RECOGNITION (Continued)

1.9.2.12 Sale of Goods (including Houses)

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

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.9.2.13 Investment income

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

1.9.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

1.9.3.1 Rates and Taxes

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

1.9.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not made at the time of initial recognition.

1.9. REVENUE RECOGNITION (Continued)

1.9.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

1.9.3.4 Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

1.10. Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.11. Comparative figures

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

1.12. Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.13. Fruitless and wasteful expenditure

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

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

1.14. Irregular expenditure

Irregular expenditure as defined in section 32 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

In terms of section 1(b) of the MFMA; Irregular expenditure means— (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170; (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act; (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,

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

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

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

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

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

1.15. Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.16. Offsetting

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

1.17. Housing development fund

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

1.18. Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.19. Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.20. Budget information

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

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

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

The approved budget covers the fiscal period from 2021/07/01 to 2024/06/30.

The annual financial statements and the budget are not on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.21. Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arms length and in the ordinary course of business are not disclosed in accordance with IPSA 20 Related Party Disclosure.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling, the activities of the entity, We regard all individuals from the level of Accounting Officer and Council members as well as managers and directors reporting directly to the municipal manager as key management per the definition of the financial reporting standard.

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

1.22. Value added tax

The municipality is registered with SARS for VAT on the payment basis, in accordance with Sec 15(2)(a) of the Value-Added tax Act No 89 of 1991.

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

1.23. Capital commitments

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.

Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

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

Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

1.24. 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 resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

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

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

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

1.24.1 Provision for Environmental Rehabilitation

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

1.25. TAXATION

25.1 Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

1.25.2 Deferred tax assets and liabilities

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

1.25.3 Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.26. STATUTORY RECEIVABLES IDENTIFICATION

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

1.26.1. Statutory Receivables Recognition

The municipality recognises statutory receivables as follows:

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

1.26.2. Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

1.26.3. Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

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

1.26.4 Accrued interest

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

1.26.5. Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers)

2. Changes in accounting policy

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

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2020 is as follows:

Statement of financial position

Cash flow statement

Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing of borrowing cost. For this reason the change in accounting policy is applied prospectively.

3. Reclassification of items in the Financial Statements as a result of the implementation of mSCOA

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. The reclassification of 2019 audited amounts can be summarised as follows:

	Balance previously reported	Adjustments	Restated Balance
Statement of Financial Position			
Other financial assets			
Other financial assets			
Other receivables from non-exchange transactions			
VAT receivable			
Trade and other receivables from exchange transactions			
Cash and cash equivalents			
Property, plant and equipment			
Unspent conditional grants and receipts			
Provisions			
Short-term portion of Long Service Awards			
Payables from exchange transactions			
VAT payable			
Current portion of non-current liabilities			
Consumer deposits			
Finance lease obligation			
Long-term portion of Long Service Awards			
Accumulated surplus / (deficit)			

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	Balance previously reported	Adjustments	Balance previously reported
Statement of Financial Performance			
Sale of goods			
Rental of facilities and equipment			
Property rates			
Service charges			
Government grants & subsidies			
Licenses and permits			
Recoveries			
Other income			
Interest received - consumer accounts			
Interest received - investment			
Personnel			
Remuneration of councillors			
Debt impairment			
Depreciation and amortisation			
Finance costs			
Grants and Subsidies Paid - Operational (UDS Toilets)			
Repairs and maintenance			
Bulk purchases			
General expenses			
Gain on non-current assets held for sale or disposal groups	-		-
Net Surplus/(Deficit) for the year	<u>-</u>	<u>-</u>	<u>-</u>

Notes to Annual Financial Statements

Figures in Rand 2022 Restated 2021

3. Property, plant and equipment

	2022			Restated 2021		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land & Buildings	60,585,820	-3,433,226	57,152,594	60,585,820	-3,407,398	57,178,422
Infrastructure	247,653,636	-182,001,525	65,652,111	246,644,656	-176,628,564	70,016,092
Community	12,550,588	-10,895,074	1,655,514	12,550,588	-10,733,034	1,817,554
Other property, plant and equipment	7,841,058	-7,686,767	154,291	7,841,058	-7,555,259	285,798
Lease hold assets	3,629,718	-2,780,768	848,950	3,629,718	-2,780,768	848,950
Total	332,260,819	-206,797,360	125,463,460	331,251,839	-201,105,023	130,146,816

Work in progress

- Buildings	71,366,902	- Buildings	63,553,219
- Infrastructure Assets	-	- Infrastructure Assets	-
The accounting officer is responsible for the preparation of these financial statements	71,366,902	- Community Assets	63,553,219
- Other Property Plant and Equipment	-	- Other Property Plant and	-
Total	196,830,362		193,700,035

Reconciliation of property, plant and equipment - 2022

	Opening balance	Prior year adjustments	Additions	Transfers/Impairment	Prior year adjustments	Depreciation	Total
Land	57,178,422	-	-	-	-	-25,829	57,152,593
Infrastructure	28,837,798	-	1,008,980	-320,875	-	-3,261,726	26,264,177
Buildings	-	-	-	-	-	-	-
Community	1,817,550	-	-	-7,526	-	-154,514	1,655,510
Other property, plant and equipment	285,799	-	-	-	-	-131,508	154,291
Other lease assets	848,950	-	-	-	-	-	848,950
Work in progress	63,553,219	7,813,683	-	-	-	-	71,366,902
Landfill Assets	41,178,294	-	-	-	-	-1,790,361	39,387,933
	193,700,032	7,813,683	1,008,980	-328,401	-	-5,363,937	196,830,357

Notes to Annual Financial Statements

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Other changes - movements	Accumulated Depreciation	Total
Land & Buildings	57,753,363		-1,000	-549,000	-24,941	57,178,422
Infrastructure	47,791,674	2,407,434	-304,536	-13,864,134	-7,192,641	28,837,797
Buildings					-	-
Community	2,641,060	-	-1	-654,008	-169,501	1,817,550
Other property, plant and equipment	535,192	-	-1,389		-248,004	285,799
Other lease assets	848,950	-	-	-	-	848,950
Work in progress	52,733,201	13,744,172	-	-2,924,154	-	63,553,219
Landfill Assets	44,870,587			-1,822,685	-1,869,608	41,178,294
	207,174,027	16,151,606	-306,926	-19,813,981	-9,504,695	193,700,031

Reconciliation of Work-in-Progress - 2022

	Included within Infrastructure	Buildings	Community assets	Total
Opening balance	63,553,219.11	-	0.00	63,553,219.11
Additions/capital expenditure	8,822,663.30	-	-	8,822,663.30
Transferred to completed items	-1,008,980.21	-	-	-1,008,980.21
	71,366,902.20	-	-	71,366,902.20

Notes to Annual Financial Statements

The following projects are identified as terminated projects

Construction of Sewer Reticulation Pump station and rising main to Treatment Plant in Grootdrink

Reason for Cancellation

Termination due to non performance

Amount

8,641,044.39

Expenditure incurred to repair and maintain property, plant and equipment

Included in Statement of Financial Performance

	2022	Restated 2021
Buildings	6,608	58,041
Infrastructure	109,995	30,895
Vehicles	3,692	44,399
Other Property, plant and Equipment	6,138	7,002
	<u>126,433</u>	<u>140,337</u>

5. Other financial assets

At amortised cost

Unlisted Investments

First National Bank - Branch: Groblershoop, Account number 711297993876

136,259

131,385

Interest rate: 6,38%, Investment term is 12 months

136,259

131,385

No investment have been pledged as collateral for liabilities of the municipality

6. Inventories

Inventories

Water

-

20,372

19,199

20,372

19,199

As the municipality do not made use of a formal inventory system, and inventory are determined via a stock take at year end of all unused materials. Inventory are recorded through the adjustment journals set off against repairs and maintenance expenses.

Inventory pledged as security

No inventories have been pledged as collateral for liabilities of the municipality

Notes to Annual Financial Statements

7. Receivables from non-exchange transactions

Rates and other taxes	-	-
Property Rates	13,859,254	11,447,764
Impairment	-2,737,511	-2,175,773
Housing Suspense Debtor	-	-
Various controls	-	-
Sundry Debtors	2,412,895	2,785,808
Debtors not yet allocated	-8,510,374	-8,510,374
	5,024,264	3,547,425

8. VAT receivable/ (payable)

VAT receivable	7,317,906	4,917,734
VAT payable	-	-

The municipality is registered at SARS on the payments basis. Only once payment is received from debtors, VAT is paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

9. Trade and other receivables from exchange transactions

Gross balances

Water	29,507,868	24,490,117
Sewerage	17,752,317	14,110,593
Refuse	26,010,789	20,994,098
Agriculture	-	-
Business and Commercial	-	-
National Government	-	-
Debtors with credit balances	10,048,252	10,187,668
Other debtors	3,868,961	3,649,833
VAT debtors	-	-
	87,188,188	73,432,309

Less: Allowance for impairment

Water	-18,307,101	-14,511,227
Sewerage	-10,697,960	-8,449,669
Refuse	-16,066,153	-12,765,733
Other debtors	-7,237,838	-5,462,179

Net balance

	-52,309,052	-41,188,807
Water	11,200,767	9,978,890
Sewerage	7,054,357	5,660,924
Refuse	9,944,636	8,228,366
Other debtors	-3,368,877	-1,812,346
Unallocated Debtors	10,048,252	10,187,668
	34,879,136	32,243,502
Less: Debtors with credit balances	-	-
Net balance of trade and receivables from exchange transaction	34,879,136	32,243,502

Notes to Annual Financial Statements

Age analysis as per services (segments) excluding debtors with credit balances.

Rates

Current (0 -30 days)	-1,403,789	50,010
31 - 60 days	141,304	57,369
61 - 90 days	88,647	57,158
91 - 120 days	80,791	56,888
121 - 365 days	16,289,158.18	13,166,772
> 365 days	-	-
	15,196,111	13,388,197

Water

Current (0 -30 days)	259,659	350,397
31 - 60 days	352,693	271,952
61 - 90 days	307,839	286,356
91 - 120 days	359,377	269,496
121 - 365 days	20,365,431	17,112,267
> 365 days	-	-
Less Impairment	-	-
	21,644,999	18,290,469

Sewerage

Current (0 -30 days)	197,937	178,217
31 - 60 days	220,010	172,359
61 - 90 days	219,773	171,986
91 - 120 days	244,600	171,223
121 - 365 days	11,964,299	9,544,442
> 365 days	-	-
Less Impairment	-	-
	12,846,620	10,238,226

Refuse

Current (0 -30 days)	295,624	247,494
31 - 60 days	301,298	235,064
61 - 90 days	300,532	236,009
91 - 120 days	345,190	233,577
121 - 365 days	17,394,411	14,150,805
> 365 days	-	-
Less Impairment	-	-
	18,637,054	15,102,948

Other (specify)

Current (0 -30 days)	-1,192,961	-1,061,752
31 - 60 days	19,403	15,828
61 - 90 days	19,403	13,589
91 - 120 days	17,684	6,135
121 - 365 days	11,517,352	11,794,409
> 365 days	-	-
Less Impairment	-	-
	10,380,881	10,768,208

Total

	78,705,666	67,788,049
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Summary of debtors by customer classification

Consumers

Current (0 -30 days)	23,635	
31 - 60 days	891,533	
61 - 90 days	864,664	
91 - 120 days	946,075	
121 - 365 days	92,314,346	
	95,040,254	-

Industrial/Commercial

Current (0 -30 days)	-35,410	
31 - 60 days	74,383	
61 - 90 days	76,287	
91 - 120 days	104,542	
121 - 365 days	5,622,679	
	5,842,482	-

Churches

Current (0 -30 days)	-9,129	
31 - 60 days	13,376	
61 - 90 days	14,482	
91 - 120 days	13,744	
121 - 365 days	769,851	
	802,324	-

Notes to Annual Financial Statements

Agriculture

Current (0 -30 days)	-199,595	
31 - 60 days	51,851	
61 - 90 days	2,220	
91 - 120 days	2,442	
121 - 365 days	4,009,123	
	3,866,041	-

National and provincial government

Current (0 -30 days)	-1,544,731	
31 - 60 days	39,356	
61 - 90 days	22,792	
91 - 120 days	19,934	
121 - 365 days	1,905,516	
	442,868	-

Total

Schools

Current (0 -30 days)	-22,161.02	
31 - 60 days	3,780.04	
61 - 90 days	2,328.12	
91 - 120 days	1,877.19	
121 - 365 days	264,012.30	
	249,837	

Other

Current (0 -30 days)	93,889.30	
31 - 60 days	94,050.32	
61 - 90 days	94,065.86	
91 - 120 days	126,929.87	
121 - 365 days	2,306,943.13	
	2,715,878	

Current (0 -30 days)	-1,693,501	-117,455
31 - 60 days	1,168,329	862,385
61 - 90 days	1,076,840	882,799
91 - 120 days	1,215,544	861,623
121 - 365 days	107,192,471	88,826,116
	108,959,684	91,315,467

Less: Penalties

Less: VAT

	-22,164,558	-16,867,551
	-8,089,460	-6,659,837
	78,705,666	67,788,079
Less: Allowance for impairment	-55,046,563	-43,364,580
	23,659,103	24,423,499

Reconciliation of allowance for impairment

Balance at beginning of the year	-43,364,580	-32,853,474
Contributions to allowance	-11,681,983	-10,511,106
Less: Bad debts written-off/Corrections		
	-55,046,563	-43,364,580

Notes to Annual Financial Statements

Receivables from Non-Exchange transactions

Initial recognition of fair value immortised costs of receivables

Other debtors include outstanding debtors for various other services, e.g. rentals, sundry, etc.

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

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

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

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

None of the consumer debtors were pledged as security for any financial liability.

Interest on consumer accounts

Interest were charged/levied on arrear consumer (debtors) accounts.

Consumer debtors impaired

As of 30 June 2022, consumer debtors of R 55 046 563 - (2021: R43 364 580) were impaired and provided for. In determining the recoverability of a consumer debtor, the municipality consider any change in the credit quality of the trade receivable from the date credit was granted up to the end of the reporting period.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	24	52
Bank balances	82,947	51,394
Short-term deposits	417,382	3,026,534
	<u>500,353</u>	<u>3,077,981</u>

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings, if available:

Notes to Annual Financial Statements

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30-Jun-22	30-Jun-21	30-Jun-20	30-Jun-22	30-Jun-21	30-Jun-20
First National Bank. Branch: Groblershoop Account number: 62026193441	-1,381	59,669	31,200	82,947	51,394	1,942,473
First National Bank. Branch: Groblershoop Account number 62150559486 - FMG/MSIG	411,672	107,495	4,268	417,382	3,026,534	741,393
First National Bank. Branch: Groblershoop Account number 62304431828 - Library Account	2,628	5,356	106,715			
First National Bank. Branch: Groblershoop Account number 62304432123 - LOTTO account	1,082	1,082	82			
First National Bank. Branch: Groblershoop Account number 62102417567 - MIG Account	168	2,906,593	355,561			
First National Bank. Branch: Groblershoop Account number 71129793876 - BUSS Eff	136,259	131,385	122,561			
First National Bank. Branch: Groblershoop Account number 62364746580 - EPWP Account	1,833	-	152,206			
Total	552,261	3,211,580	772,593	500,329	3,077,929	2,683,866

11. Finance lease obligation

Minimum lease payments due

- within one year	793,426
- in second to fifth year inclusive	159,693
	<u>953,119</u>
less: future finance charges	-53,435
Present value of minimum lease payments	<u>899,684</u>

Analysis of lease liability

- Current Portion of Lease liability	742,274
- Non-current Portion of lease liability	157,409
- less interest	-
	<u>899,683</u>
	<u>-</u>

Non-current liabilities	1,559,748	1,559,748
Current Liabilities	874,830	874,830
	<u>2,434,578</u>	<u>2,434,578</u>

Interest for the year	118,283
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It is municipality policy to lease certain equipment under finance leases. The municipality have entered into two(2) finance leases for a period of five (5) years to lease multipurpose printers with Nashua. The lease agreement commenced 1 August 2017 and 1 January 2018 with an annual rental increase of 15% and 12,5% respectively.

Notes to Annual Financial Statements

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Water Service Infrastructure Grant	3,688,157	1,188,157
Disaster Management Grant		
Library Grant	83,289	58,870
EPWP grant	364,503	48,655
MIG Grants	7,320,179	10,763,871
FMG grant		4,421
	11,455,971	12,063,617

Movement during the year

Balance at the beginning of the year	12,063,974	10,190,375
Additions during the year	18,420,000	24,335,000
Transfer to Revenue	-11,183,646	-18,665,401
Roll-over denied and refunded	-7,844,000	-3,796,000
	11,456,328	12,063,974

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

The municipality has complied with all the conditions set by the transferring organs of state or the conditions set by the other institutions who made allocations to the municipality. The unspent portion of conditional allocations are disclosed as unspent conditional grants on the face value of the Statement of Financial Position of the municipality.

See note for reconciliation of grants from National/Provincial Government.

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

Notes to Annual Financial Statements

13. Provisions

Opening balance	52,638,744	50,703,914
Contribution for the year	1,972,522	1,934,830
Change in Provision for Rehabilitation costs	-	
Total provision	54,611,266	52,638,744

Reconciliation of provisions – 2022

	Opening Balance	Additions	Total
Environmental rehabilitation	-52,638,744	-1,972,522	-54,611,266
	-52,638,744	-1,972,522	-54,611,266

Reconciliation of provisions – 2021

	Opening Balance	Additions	Total
Environmental rehabilitation	50,703,914	1,934,830	52,638,744
	50,703,914	1,934,830	52,638,744

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). The provision is made in terms of the licensing stipulations. The Provision has been determined on the basis of the recent independent study by taking into account a number of factors to the design, manner of operations and rehabilitation measures proposed which was assessed, investigated and tested. There is no anticipated environmental harm, groundwater pollution, leachate leakage that could be found. The municipality did not alter any structure and infrastructure to the existing landfill

In the previous AFS a landfill closure provision was disclosed for this landfill but a methodology different from the methodology used in the GLCCM was used. This resulted in a significant increase in the provision for the 2021/22 financial year. The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date.

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date.

The average of the CPI for the last three months amounted to 4.8235%. The amount of the discounted landfill closure provision of 54 611 266 (R52 638 744 - 2020/21) represents an increase of R1 972 522 (R1 934 830 - 2020/21) over the provision of R52 638 744 (R50 703 914 - 202/21) in the previous financial statements. Rehabilitation and closure report was compiled by Environmental and Sustainability Solutions CC appointed by the Council.

Rehabilitation and closure report was compiled by Environmental and Sustainability Solutions CC appointment by the Council

Changes in the present value of provision for landfill rehabilitation are as follows

Opening balance	52,638,744.00	50,703,914.00
Change in landfill closure	-	-1,822,685.00
Interest Charge		3,757,515.00
	52,638,744	52,638,744

Restatement

Balance as previously reported	-	-
Prior Period adjustments	-	-
Restated Balance	-	-

Notes to Annual Financial Statements

14. Employee benefit obligations

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

Carrying value

Long term portion to current liabilities	-2,075,000	-1,895,000
Current portion to current liabilities	-	-180,000
	-2,075,000	-2,075,000

Non- current Liabilities	-	-1,895,000
Current liabilities	-	-180,000
	-	-2,075,000

Net expense recognised in the statement of financial performance

Current service cost		226,000
Interest cost		157,000
Actuarial (gains) losses		130,000
		513,000

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.28%	9.44%
General earnings inflation rate (long-term)	8.58%	5.84%
Net Effective discount rate	2.49%	3.40%

15. Payables from exchange transactions

Accrued leave pay	3,335,125	3,293,082
Accrued bonus	871,735	1,026,014
Unknown Deposits	932,838	881,301
Payment received in advanced - Unallocated deposits		
Retention creditors	3,631,080	2,914,609
Suspense creditors	1,933,981	1
Trade payables	25,655,049	19,838,402
3rd Party payments	20,519,421	19,513,363
	56,879,228	47,466,772

Payables are being recognised net of any discounts. The carrying value of trade and other payables approximates its fair value. All payables are unsecured. Debtors with credit balances represents payments received in advance.

16. Current portion of borrowings

DBSA loan - Short term portion	-	-
Nashua leases - Short term portion	874,830	874,830
	874,830	874,830

Notes to Annual Financial Statements**17. Consumer deposits**

Water	116,716	116,716
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The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts

18. Revenue

Sale of goods	231,170	423,100
Service charges	10,714,993	10,045,790
Rental of facilities and equipment	227,173	295,384
Interest received - Consumer accounts	5,918,549	5,048,243
Licences and permits	185,092	774,942
Other income	421,257	120,641
Interest received - investment	58,520	168,064
Property rates	5,146,853	3,391,831
Government grants & subsidies	40,175,926	48,912,401
Recoveries	-	-
	63,079,533	69,180,397

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

Interest received - Consumer accounts	5,913,831	5,043,496
Interest received - investment	58,520	168,064
Licences and permits	185,092	774,942
Other income	421,257	120,641
Recoveries	-	-
Rental of facilities and equipment	227,173	295,384
Sale of goods	231,170	423,100
Service charges	10,714,993	10,045,790
	17,752,036	16,871,417

The amount included in revenue arising from non-exchange transaction**are as follows:****Taxation revenue**

Property rates	5,146,853	3,391,831
Interest received - Consumer accounts	4,718	4,747

Transfer revenue

Government grants & subsidies	40,175,926	48,912,401
	45,327,497	52,308,979

Notes to Annual Financial Statements

19. Property rates

Rates received

Commercial	1,913,604	1,364,987
Residential	1,160,575	827,846
State	589,972	420,831
Small holdings and farms	1,090,929	778,167
	5,146,853	3,391,831

Valuations

Residential	128,378,100	116,963,000
Commercial	30,287,800	31,240,000
State	47,408,000	41,707,000
Municipal	35,015,900	235,622,000
Small holdings and farms	2,296,872,100	1,796,158,000
Public Worship	12,513,000	9,330,000
Other - Vacant land	5,443,000	3,162,000
	2,555,917,900	2,234,182,000

Property rates are levied on the value of land and improvements. Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2021.

Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 June 2022

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0.0122c/R (2021: 0.0118c/R)
Business Properties: 0.0153c/R (2021: 0.0147c/R)
Agricultural Properties: 0.000714c/R (2021: 0.000687c/R)
State Properties: 0.0031c/R (2021: 0.0029,c/R)

The first R 15 000 (2021: R 15 000) of the valuation of all residential properties are exempted from the calculation of rates.

20. Service charges

Refuse removal	3,944,576	3,265,946
Sale of water	3,817,741	4,263,634
Sewerage and sanitation charges	2,952,676	2,516,209
	10,714,993	10,045,790

The amount disclosed above for revenue from service charges are in respect of services rendered which are billed to the customers on a monthly basis according to approved tariffs

Notes to Annual Financial Statements

21. Government grants and subsidies

Operating grants and subsidies

Equitable Share	27,602,000	30,247,000
Finance Mangement Grant	3,000,000	2,995,579
Library Grant	871,158	795,777
EEDSM Grant	-	2,700,000
	<u>31,473,158</u>	<u>36,738,356</u>

Capital grants

Municipal Infrastructure Grant (MIG)	6,648,336	10,893,332
Water Service Infrastructure Grant	-	216,298
Expanded Public Works Programme (EPWP)	664,152	1,064,415
	<u>7,312,488</u>	<u>12,174,045</u>
	<u>38,785,646</u>	<u>48,912,401</u>

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	31,473,158	36,738,356
Unconditional grants received	7,312,488	12,174,045
	<u>38,785,646</u>	<u>48,912,401</u>

Equitable Share

In terms of the Division of Revenue Act, the annual equitable share allocated to the municipality is an unconditional grant. A portion of this grant is used to subsidise the provision of basic services to indigent community members in line with national policy. In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R447,66 - (2021: R 430,86), which is funded from the grant.

MIG Grant

Balance unspent at beginning of year	10,763,871	4,822,203
Current-year receipts	11,040,000	16,835,000
National Treasury repayment	-7,835,356	
Conditions met - transferred to revenue	-6,648,336	-10,893,332
	<u>7,320,179</u>	<u>10,763,871</u>

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grant was used to construct roads infrastructure as part of the upgrading of informal settlement areas. The grant was also allocated for the readication of the bucket system by building UDS toilets for the community of !Kheis.

Water Service Infrastructure Grant

Balance unspent at beginning of year	1,188,158	1,404,456
Current-year receipts	2,500,000	-
National Treasury repayment	-	
Conditions met - transferred to revenue	-	-216,298
	<u>3,688,158</u>	<u>1,188,158</u>

The purpose of the grant is to fund internal infrastructure for water services at a basic level of service.

Notes to Annual Financial Statements

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	48,655	113,070
Current-year receipts	980,000	1,000,000
Conditions met - transferred to revenue	-664,152	-1,064,415
	364,503	48,655

The grant is to utilised for salary expenses in regards to the expanded public works programme. The grant is in regards to the upgrading of the municipal offices. Grants received for the upgrading of the municipal offices and upgrading of internal streets.

Finance Management Grant

Balance unspent at beginning of year	4,421	-
Current-year receipts	3,000,000	3,000,000
National Treasury repayment	-4,421	-
Conditions met - transferred to revenue	-3,000,000	-2,995,579
	-	4,421

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

SPLUMA

Balance unspent at beginning of year	-	-
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	-	-

The purpose of the grant is to provide a framework for spatial planning and land use management for municipalities.

Library Grant

Balance unspent at beginning of year	58,870	54,647
Current-year receipts	900,000	800,000
National Treasury repayment	-4,223	-
Conditions met - transferred to revenue	-871,158	-795,777
	83,489	58,870

Conditions still to be met - remain liabilities (see note 15).

The grant is to utilised for the programme cost of the library and other costs as per the library proposal.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 5 of 2013), no significant changes in the level of government grant funding are expected over the forthcoming 2 financial years.

22. Other revenue

Other income	421,257	120,641
	421,257	120,641

Other income

Administrative handling fees		158,27
Building Plan fees	11,053	3,885
Bursary repayment	-	58,257
Cemetaries	-	-
Commission	-27,477	-
Clearance Certificates	39,373	10,282
Faxes		
Graves fees		
Grazing fees		
Hawkers Licenses/Market fees	72,836	43,817
Prepaid electricity	239,067	
Photocopies	-	237
Prove of residence/Printing	8,789	13,258
Refuse removal		
Tender documents	22,660	33,077
Transport		
Valuation Certificates		
	366,302	162,972

Notes to Annual Financial Statements**23. General expenses**

Administrative Costs	-	-
Advertising	24,665	71,737
Auditors remuneration	2,814,955	1,093,884
Bank charges	61,518	76,808
Chemicals	8,989	233,107
Cleaning	-	-
Computer expenses	391,602	649,516
Consulting and professional fees	2,415,810	3,578,672
Community development and training	127	1,786
Electricity	2,572,014	2,866,277
Entertainment	1,544	1,995
Fuel and oil	159,538	407,915
Insurance		
Prepaid electricity	217,391	-
Daily Allowances	21,370	19,700
Other expenses	546,047	451,343
Postage and courier	2,323	1,970
Printing and stationery	74,586	124,131
Uniforms and Protective clothing	1,437	40,942
Royalties and license fees	614,384	1,108,496
Repairs and maintenance	140,180	139,103
Urgent Relief & Temporary workers	403,570	402,953
Security (Guarding of municipal property)	5,703	9,574
Subsistence Allowances	38,690	23,890
Subscriptions and membership fees	337,398	1,767,067
Telephone and fax	542,530	470,110
Transfers and grants: Operational expenditure	-	-800
Travel - local	51,332	27,567
	11,447,705	13,567,741

Notes to Annual Financial Statements

24. Employee related costs

Basic	20,498,628	21,600,339	
Bonus	1,358,728	1,710,216	
Housing benefits and allowances	159,778	256,706	
Leave pay provision charge	90,695	309,908	
Medical aid-company contributions	787,167	818,962	
Pensionfund Contributions	2,821,831	2,901,917	
Overtime	9,456	8,796	
Skills Development Levies	289,276	207,532	
Training Levies	2,392	1,283	
Travel, motor car, accomodation, subsistence and other allowances	3,624,278	3,178,078	
UIF	207,364	204,747	
Bargaining Allowance	8,590	8,069	
Standby Allowance	117,272	105,906	
	29,975,456	31,312,459	31,266,458.00

Remuneration of Acting Municipal Manager -JTF Leeuw

Annual Remuneration	555,204	951,779
Car Allowance	111,041	190,356
Housing	42,000	-
Cellphone Allowance	14,000	24,000
Contributions to UIF, Medical and Pension Funds	1,062	1,367
	723,307	1,167,502

Remuneration of Chief Finance Officer - JD Block

Annual Remuneration	725,078	757,850
Arrears Salary Payment	-	-
Bonus	60,423	111,629
Car Allowance	253,776	244,098
Cellphone Allowance	12,000	12,000
Contributions to UIF, Medical and Pension Funds	58,572	63,121
Skills Development Levy	10,341	8,511
	1,120,190	1,197,209

Remuneration of Acting Corporate Manager

Annual Remuneration	-	-
Arrears Salary Payment	-	-
Bonus	-	-
Car Allowance	-	-
Cellphone Allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	-
	-	-

Notes to Annual Financial Statements**Remuneration of Technical Director - D Dolopi**

Annual Remuneration	725,078	697,427
Bonus	60,423	51,206
Car Allowance	253,776	244,098
Cellphone Allowance	12,000	12,000
Contributions to UIF, Medical and Pension Funds	4,248	29,549
	1,055,525	1,034,280

Remuneration of Community Service Director - F van Eck

Annual Remuneration	785,501	757,274
Car Allowance	274,920	262,352
Cellphone Allowance	12,000	12,200
Contributions to UIF, Medical and Pension Funds	4,248	31,853
	1,076,669	1,063,679

25. Remuneration of councillors

Mayors	636,859	229,219
Councillors	2,050,157	1,852,347
Travelling Allowance	734,418	614,181
Cellphone and other allowance	373,700	292,300
	3,795,134	2,988,048

In-kind benefits

The Mayor is full-time. He is provided with an office and secretarial support at the cost of the Council.

26. Debt impairment

Debt impairment	11,681,983	10,511,106
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27. Interest earned - External invest**Interest received from receivables**

Receivables	5,918,149	5,048,243
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Interest revenue

Bank	58,520	168,064
	5,976,669	5,216,307

Notes to Annual Financial Statements

28. Depreciation and amortisation

Property, plant and equipment	<u>5,359,382</u>	<u>7,575,210</u>
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29. Finance costs

Provision for rehabilitaion of landfill sites	1,972,522	3,914,515
	<u>1,972,522</u>	<u>3,914,515</u>

30. Auditors' remuneration

Fees	<u>2,814,955</u>	<u>1,093,884</u>
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32. Bulk purchases

Water	<u>2,220,340</u>	<u>1,170,197</u>
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33. Cash generated from operations

Refer to cash flow

33. Impairment of assets

Property, plant and equipment	<u>332,955</u>	<u>14,473,854</u>
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34. Commitments

Authorised capital expenditure

Already contracted for but not provided for

Commitment as at 30 June 2022 (VAT Inclusive)	<u>35,659,904</u>	<u>20,889,500</u>
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Total capital commitments

Already contracted for but not provided for (VAT Inclusive)	<u>35,659,904</u>	<u>20,889,500</u>
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This committed expenditure relates to construction of property and will be financed by available bank facilities, accumulated surplus, existing cash resources, funds internally generated and funding received from National Treasury and other government institutions.

35. Contingencies

The municipality is currently involve in 3 court cases relating to claims against the municipality. These matters deals with litigations against the municipality for the following:

Case: The estimated costs amounted to R2 500 000.	1. White
Boegoeberg Water Association: The estimate cost amounted to R2 212 894	2.
Consolidated Retirement Fund: The estimated cost amount to R8 187 555	3.
Nashua: The estimated cost amount to R 2 500 000	4.
SAMWU obo Baster and Jacobs: The costs are unknown	5.

36. Related parties

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

Notes to Annual Financial Statements

36.1 Interest of Related Parties

Councillors and/or management of the municipality have relationship with businesses as indicated below:

Name of Related Person	Designation	Relationship	Related Party
Cllr AL Diergaardt	Mayor	Member of municipal council	None
Cllr S Esau	Councillor	Member of municipal council	None
Cllr J Silo	Councillor	Member of municipal council	None
Cllr A Tobias	Councillor	Member of municipal council	None
Cllr K Esau	Councillor	Member of municipal council	None
Cllr E Cloete	Councillor	Member of municipal council	None
Cllr G Beukes	Councillor	Member of municipal council	None
JTF Leeuw	Acting Municipal Manager	Member of key management	Member of Black Sparrow Trading
JD Block	Chief Financial Officer	Member of key management	Shya's financial services: Director
D Dolopi	Technical Director	Member of key management	Member of Press A Phanda Solutions
D Jacobs	Acting Municipal Manager & Director Strategic Planning	Member of key management	None
DR Van Der Westhuizen	Acting Director Corporate Service	Member of key management	None
S R Mahonie	Acting Chief Financial Officer	Member of key management	Member of Isiqalo Ensintsha General Trading
G Baster	Acting Manager Office of the Mayor and Municipal	Member of key management	None
G Cloete	Employee of the municipality	Close family member of Council. Husband of Councillor E None Cloete.	Member of
CS van Eck	Community Service Director	Member of key management	None

Related Person

Employee cost	2022	2021
R Jansen	157,252	
G Cloete	350,464	263,165
	350,464	263,165

36.2 Service rendered to Related Parties.

The municipality did not render any service other than the normal municipal billings (service charges, rates etc) on the approved tariff structure of the municipality to councillors and top management. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

Related party transactions

Related Party Council arrear accounts

Cllr A Diergaardt	6,583	4,798
Cllr K Esau	67,961	4,425
Cllr E Cloete	40,692	4,584
Cllr S Esau	11,606	4,356
Cllr M. Malgas	2,391	
Cllr J. Lodewyck	58,143	
Cllr P. Vries	58,949	
Cllr H. van Wyk	56,841	
Cllr K. Boer	232,205	
Total	535,370	18,162

36.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by !Kheis Municipality.

Notes to Annual Financial Statements

37. Going concern

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

The Annual Financial Statements have been prepared on a *Going Concern Basis on the following reasons:*

The following had been taken into account regarding the going concern of the AFS:

1. The CFO had been put on special leave for the first 6 months of the financial year, making it very difficult to perform certain financial transactions,
2. The Municipal Manager had been suspended and ultimately dismissed from the municipality with the appointment of the new council,
3. The cash flow of the municipality is making it very difficult for the municipality to meet commitments in line with the MFMA,
4. Salaries had not been paid for long periods of the financial year, making cooperation from officials very difficult,
5. The debtors age analysis is growing without any positive response from the communities,

The roll over application for the 2021/22 financial year of 11 455 971 is not cash backed. The amount of R5.7 million for the 2020/21 financial year had been deducted from the equitable shares allocation for the municipality during December 2021. That action placed a strain on the municipality, because of contracts and commitments of those projects

38. Events after the reporting date

The following events should be taken into account after of submission of annual financial statement that may have a material impact on !Kheis Municipality's going concern: The CCMA ruled that mr Mareka be reinstated on October 2022. The ruling had not been taken into account, therefore, an amount of R324 000 had not been provided as an expense after the reporting date. The CCMA ruled that mr Leeuw be paid an amount of R761 560, 14 by 30 September 2022. These two rulings had not been taken into account, therefore, an amount of R1 085 560, 14 had not been provided as an expense after the reporting date. During the preparation of the adjustment annual financial statements, the ruling of the Commissioner had been taken into account as after year end event

39. Prior period errors

Property, Plant and Equipment disclosed in prior year financial statements was not impaired which resulted in an overstatement of Property, Plant and Equipment. These errors as indicated in audit report.

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

Statement of financial position	As Previously reported	Correction of error	Re-Classification	2021 Restated
Property, plant and equipment	201,531,894	- 7,831,859	-	193,700,035
Inventory	19,199	0	-	19,199
Vat receivable/ Payable	4,843,133	74,601	-	4,917,734
Receivables from exchange transactions' and Consumer debtors	45,001,865	- 12,758,363	-	32,243,502
Cash and cash Equivalents	4,982,352	- 1,904,371	-	3,077,981
Other receivables from non-exchange transactions	1,267,053	2,280,372	-	3,547,425
Payables from exchange transactions	50,165,884	- 2,699,112	-	47,466,772
Employee benefit Obligation	180,000	-	-	180,000
Unspent conditional grants and receipts	8,267,974	3,795,643	-	12,063,617
Provision for landfill site Rehabilitation	52,638,744	-	-	52,638,744
Accumulated surplus	141,946,605	- 21,104,767	-	120,841,838
	368,898,098	- 19,043,088	-	349,855,010

Statement of financial performance	As Previously reported	Correction of error	Re-Classification	2021 Restated
Sale of goods	423,100	0	-	423,100
Rental of facilities and equipment	295,384	0	-	295,384
Service charges	9,902,370	143,420	-	10,045,790
Licenses and permits	775,298	356	-	774,942
Other income	162,973	- 42,332	-	120,641
Interest received - Exchange transactions	4,108,425	935,071	-	5,043,496
Interest received - investment	168,064	0	-	168,064
Property rates	3,391,831	0	-	3,391,831
Interest received - Non exchange transactions	1,083,238	- 1,078,491	-	4,747
Government grants & subsidies	52,708,401	- 3,796,000	-	48,912,401
Employee Costs	- 31,266,458	- 46,001	-	- 31,312,459
Bulk Purchases	- 2,660,341	1,490,144	-	- 1,170,197
Depreciation	- 9,656,140	2,080,930	-	- 7,575,210
General expenditure	- 13,142,687	- 425,054	-	- 13,567,741
Impairment	- 5,951,315	- 8,522,539	-	- 14,473,854
Remuneration of Councillors	- 2,988,048	0	-	- 2,988,048
Finance Costs	- 3,914,515	-	-	- 3,914,515
Debt impairment	-	10,511,106	-	10,511,106
	- 69,579,504	- 5,422,521	-	- 75,002,025

Notes to Annual Financial Statements

40. Comparative figures

The reporting period is for a year, therefore comparative amounts are comparable to the current balances.

41. Unauthorised expenditure

Opening balance	46,419,972	46,419,972
Unauthorised expenditure	1,302,388	-
Condoned	-	-
	47,722,360	46,419,972

The unauthorised expenditure relates to Vehicle registration fees votes budget which were overspent.

Detail Summary of Unauthorised Expenditure

	R (Actual)	R (Budget)	R (Variance)	R (Unauthorised)
Office of the Municipal Manager	1,714,277	2,646,968	932,691	
Corporate Services	5,377,679	6,094,816	717,137	
Financial Services	22,725,692	24,856,725	2,131,033	
Technical Services	17,345,620	24,856,725	7,511,105	
Planning & Development	613,045	1,053,679		440,634
Waste Management	-	-	-	
Council	6,558,603	7,309,176	750,573	
Water Management	-	-	-	
Community Services	6,711,780	5,409,392		(1,302,388)
Traffic Services	-	-	-	
	61,046,695	72,227,481	12,042,539	(861,754)
Add: Expenditure identified - Prior year			-	-
Condoned			12,042,539	-861,754

The amount of fruitless and wasteful expenditure for 2015/2016, 2016/2017 and 2017/2018 2018/2019 consists of interest and understatement penalties levied by The South African Revenue Services during the recent VAT audits. The amount for Auditor General could not be condoned by council, because payments are being made by National Treasury.

Notes to Annual Financial Statements

42. Fruitless and wasteful expenditure

Opening balance	8,485,953	5,450,332
Fruitless and wasteful expenditure - 2021/2022 (Interest on creditors)	2,501,104	3,035,621
Interest and penalties paid to SARS on EMP201 late payments	-	-
Interest paid to Nashua due to non-payment of operating lease	-	-
Fruitless and wasteful expenditure - 2020/2021 (Not previously recorded)	-	-
Add: Fruitless Expenditure - current year	-	-
Condoned		
	<u>10,987,056</u>	<u>8,485,953</u>

Incident	Disciplinary steps/ criminal proceedings		
<i>Interests and penalties - Telkom - Interests and penalties</i>	<i>None</i>	20,015	8,147
<i>Interests and penalties - SARS - Interests and penalties on</i>	<i>None</i>	1,498,096	1,297,230
<i>Interests and penalties - Escom - Interests and penalties</i>	<i>None</i>	130,104	189,817
<i>Interests and penalties - Auditor General</i>	<i>None</i>	265,030	192,996
<i>Interests and penalties - Other</i>	<i>None</i>	587,858	1,347,432
Total		<u>2,501,104</u>	<u>3,035,621</u>

The amount of fruitless and wasteful expenditure for 2015/2016, 2016/2017, 2017/2018, 2018/2019, 2019/20 and 2020/21 consists of interest and

43. Irregular expenditure

Opening balance as previously reported	33,759,103	33,612,509
Correction of prior period error	-	-
Opening balance as restated	<u>33,759,103</u>	<u>33,612,509</u>
Add: Irregular expenditure - current	243,102	146,594
Prior period error	-	-
Add: Irregular expenditure identified in Prior year	-	-
Less: Amounts condoned by Council	-	-
	<u>34,002,205</u>	<u>33,759,103</u>

Details of irregular expenditure - current year and prior year

Incident	Disciplinary steps/ criminal proceedings		
<i>2022: Suppliers not registered on CSD</i>	<i>None</i>	243,102	243,102
<i>2022: Preferred service provider: SCM processes not</i>	<i>None</i>	-	-
<i>2022: Fraudulent company used for procurement of</i>	<i>Disciplinary steps taken and employees dismissed</i>	-	-
<i>2022: Irregular appointment of consultants, etc</i>	<i>None</i>	-	-
<i>2021: Conditional grant not met</i>	<i>None</i>	-	-
Transferred: 2021			
		<u>243,102</u>	<u>243,102.38</u>

Notes to Annual Financial Statements

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Opening balance	2,884,952	2,526,702
Current year fee	500,000	508,250
Amount paid - current year	-	-150,000
	3,384,952	2,884,952

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

Opening balance	6,391,643	3,402,889
Current year audit fee	3,371,125	2,333,638
Interests charged	370,722	267,314
Adjustment	-1,127,325	
Amount paid - current year	-1,390,280	-1,294,876
	9,762,768	6,391,643

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

Opening Balance	7,330,979	-33,052
Current year fee	4,350,312	8,874,707
Amount paid - current year	-8,406,506	-1,510,676
	3,274,785	7,330,979

Pension Deductions - [MFMA 125 (1)(c)]

Opening Balance	10,336,250	6,714,839
Current year fee	4,453,713	4,717,968
Amount paid - current year	-3,018,058	-1,096,557
	11,771,905	10,336,250

Medical Aid Deductions - [MFMA 125 (1)(c)]

Opening Balance	2,598	100,837
Current year fee	1,294,450	1,354,344
Amount paid - current year	-1,233,215	-1,452,583
	61,236	2,598

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

VAT Receivable	1,329,971	1,786,783
Amount refunded - current year	-1,329,971	-1,786,783
	-	0

VAT output payables and VAT input receivables are shown in note 9.

VAT returns have been submitted from July 2021 till January 2022. No VAT returns were outstanding at the time of compiling the AFS for 2021/22.

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

30-Jun-22	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr K Esau	356	66,877	67,233
Cllr P Vries	751	58,949	59,700
Cllr K Boer	855	232,205	233,060
Cllr M Malgas	480	2,391	2,870
Cllr J Jansen/ Lodewyk	800	58,143	58,943
Cllr H van Wyk	800	56,841	57,641
	4,042	475,406	479,448

In calculation of debt impairment, Councillors were excluded.

Notes to Annual Financial Statements

Supply chain management regulations

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

45. Deviation from supply chain management regulations

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

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

Goods and Services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. The total deviations for the year under review amounted to R613 645. 22 (2021: R879 963. 00)

2022	Total	Single Supplier	Impossible	Impractical	Emergency
	712,100	65,522	261,376	244,449	140,754
Subtotal	712,100	65,522	261,376	244,449	140,754
2021	Total	Single Supplier	Impossible	Impractical	Emergency
	727,759	28,087	39,909	3,125	656,638
Subtotal	727,759	28,087	39,909	3,125	656,638

The municipality is not able to settle supplier accounts within 30 days of receipt of the invoice and 30% of trade payables are outstanding for periods exceeding 30 days;

The municipality is based in a remote area in the Northern Cape Province with little economic activity and many community members are classified as indigent consumers of the municipality. As a result the municipality struggles to collect revenue and this result in significant cash flow problems, which cast significant doubt on the municipality's ability to continue as a going concern. The municipality is dependent on national and provincial grants for its continued existence and capital investment

Taking the aforementioned into account, management has prepared the Annual financial Statements on the Going - Concern basis. However due to events after the reporting date have increase the pressure on !Kheis going concern.. The application for roll-over of the Unspent Conditional Grants to National Treasury has been disallowed for the previous financial year and municipality had been dbeited against the equitable shares with the amount for unspent part grant. This money has however already been committed to contractors, which will resulted in the municipality being responsible to fund these projects from own capital.

47. Financial Instruments 2022 2021

In accordance with GRAP 104.45 the financial liabilities and assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>	2022	2021
Investments			
Unlisted Investments	Financial Instruments at fair value	-	-
FNB	Financial Instruments at cost	136,259	105,730
Fixed Deposits - FNB	Financial Instruments at amortised cost		
Receivables from Exchange Transactions			
Water	Financial Instruments at amortised cost	29,507,868	24,490,117
Sewerage	Financial Instruments at amortised cost	17,752,317	14,110,593
Refuse	Financial Instruments at amortised cost	26,010,789	20,994,098
Other debtors	Financial Instruments at amortised cost	3,868,961	3,649,833
VAT debtors	Financial Instruments at amortised cost	-	-

Notes to Annual Financial Statements

Receivables from Non-Exchange Transactions

Various controls	Financial Instruments at amortised cost	2,611,369	761,618
Sundry Debtors	Financial Instruments at amortised cost	2,412,895	2,785,808

Cash and Cash Equivalents

Bank Balances	Financial Instruments at amortised cost	82,947	51,394
Call Deposits	Financial Instruments at amortised cost	417,382	3,026,534

Total Financial Assets		82,800,788	69,975,726
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2022 2021

SUMMARY OF FINANCIAL ASSETS

Financial Instruments at amortised cost:

Investments	FNB	136,259	131,385
Investments	Fixed Deposits - FNB	-	-
Receivables from Exchange Transactions	Water	29,507,868	24,490,117
Receivables from Exchange Transactions	Sewerage	17,752,317	14,110,593
Receivables from Exchange Transactions	Refuse	26,010,789	20,994,098
Receivables from Exchange Transactions	Other debtors	3,868,961	3,649,833
Receivables from Exchange Transactions	VAT debtors	-	-
Receivables from Non-exchange Transactions	Various controls	2,611,369	880,866
Receivables from Non-exchange Transactions	Sundry Debtors	2,412,895	1,856,782
Cash and Cash Equivalents	Bank Balances	82,947	90,724
Cash and Cash Equivalents	Call Deposits	417,382	746

Total Financial Assets		82,800,788	66,205,144
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2022 2021

Financial Liabilities

Classification

Long-term Liabilities

DBSA loan	Financial Instruments at amortised cost	-	-
Capitalised Lease Liability	Financial Instruments at amortised cost	874,830	874,830

Trade and Other Payables

Trade Creditors	Financial Instruments at amortised cost	25,655,049	19,726,267
Payments received in advance	Financial Instruments at amortised cost	-	-
Retentions	Financial Instruments at amortised cost	-	-
Other Creditors	Financial Instruments at amortised cost	27,593,099	22,427,972

Total Financial Liabilities		54,122,978	43,029,069
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2022 2021

SUMMARY OF FINANCIAL LIABILITIES

Financial instruments at amortised cost:

Long-term Liabilities	DBSA loan	-	-
Long-term Liabilities	Capitalised Lease Liability	874,830	874,830
Trade and Other Payables	Trade Creditors	25,655,049	19,726,267
Trade and Other Payables	Payments received in advance	-	-
Trade and Other Payables	Retentions	-	-
Trade and Other Payables	Other Creditors	27,593,099	22,427,972

Total Financial Liabilities		54,122,978	43,029,069
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48. 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.

Notes to Annual Financial Statements

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.

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 9 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Exchange Receivables

Water	38.25%	29,507,868	38.72%	24,490,117
Sewerage	23.01%	17,752,317	22.31%	14,110,593
Refuse	33.72%	26,010,789	33.20%	20,994,098
Other debtors	5.02%	3,868,961	5.77%	3,649,833
VAT debtors	0.00%	-	0.00%	-

100.00%	77,139,936	100.00%	63,244,641
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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 17 and 18 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:

Notes to Annual Financial Statements

	2022 %	2021 R	2022 %	2021 R
-				
<u>Non-exchange Receivables</u>				
Rates	0.00%	-	4.88%	3,547,425
<u>Exchange Receivables</u>				
Services	100.00%	52,309,052	95.12%	69,180,397
	100.00%	52,309,052	100.00%	72,727,822

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

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank). 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	87,188,188	32,243,502
Cash and Cash Equivalents	500,353	3,077,981
	87,688,541	35,321,483

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.

49. FINANCIAL SUSTAINABILITY

Management is of the opinion that will municipality will continue to operate as a going concern and perform it's 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:

49.1 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 GROBLERSHOOP communities resulted in a serious risk for !KHEIS Municipality's going concern.

Unless sustainable job creation is achieved, !Kheis Municipality will not be able to function as a independent municipality without Government Grants and Subsidies.

50. CONTINGENT ASSETS

Management is urrently in a dispute for the unauthorised appointment of the former Municipal Manager. A lawyer had been appointed to assist

	2022 R	2021 R
Claim against Mr Leeuw	2,147,460	-
Total	2,147,460	-

ANALYSIS OF

	Cost Opening Balance Rand	Prior year Adjustments Rand	Additions Rand	Disposals Rand	Transfer Rand
Infrastructure					
Water Network	28,731,669	-	-	-	-
Sewerage Mains & Purification Plant	23,457,807	-	-	-	-
Electricity Street & Highmasts	5,594,723	-	-	-	-
Roads	143,858,946	-	1,008,980	-	-
Refuse Disposal Site	45,001,510	-	-	-	-
	246,644,656	-	1,008,980	-	-
Community Assets					
Halls	-	-	-	-	-
Libraries	-	-	-	-	-
Civic Buildings	-	-	-	-	-
Community Assets	12,550,588	-	-	-	-
Cemeteries	-	-	-	-	-
Parks and Gardens	-	-	-	-	-
	12,550,588	-	-	-	-
Land and Buildings					
Buildings	3,590,896	-	-	-	-
Land	56,994,924	-	-	-	-
	60,585,820	-	-	-	-
MAR Database					
Movables - Other Assets	-	-	-	-	-
Computer Equipment	2,756,925	-	-	-	-
Office Equipment	494,920	-	-	-	-
Motor Vehicles	4,442,925	-	-	-	-
Machinery & Equipment	-	-	-	-	-
Other Assets	146,287	-	-	-	-
	7,841,058	-	-	-	-
Lease hold Assets					
Lease hold Assets	3,629,718	-	-	-	-
	3,629,718	-	-	-	-
Work-in-progress Assets					
Work-in-progress Assets	63,553,219	-	7,813,683	-	-
	63,553,219	-	7,813,683	-	-
Grand Total	394,805,058	-	8,822,663	-	-

APPENDIX B

!Kheis Local Municipality

F PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2022

Closing Balance Rand	Accumulated Depreciation			Current Year Depreciation Rand	Impairment Rand	Additions Rand	Disposal Rand	Transfer Rand	Closing Balance Rand	Carrying Value Rand
	Opening Balance Rand	Prior Year Adjustment Rand								
28,731,669	-24,119,371	-	-222,736	-10,992	-	-	-	-24,353,099	4,378,571	
23,457,807	-22,054,716	-	-61,435	-309,882	-	-	-	-22,426,033	1,031,774	
5,594,723	-2,611,113	-	-413,534	-	-	-	-	-3,024,646	2,570,077	
144,867,926	-124,020,149	-	-2,564,022	-	-	-	-	-126,584,171	18,283,756	
45,001,510	-3,823,216	-	-1,790,361	-	-	-	-	-5,613,577	39,387,933	
247,653,636	-176,628,564	-	-5,052,087	-320,875	-	-	-	-182,001,525	65,652,111	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
12,550,588	-10,733,034	-	-154,514	-7,526	-	-	-	-10,895,073.81	1,655,514.07	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
12,550,588	-10,733,034	-	-154,514	-7,526	-	-	-	-10,895,074	1,655,514.07	
3,590,896	-3,407,398	-	-25,829	-	-	-	-	-3,433,226	157,670	
56,994,924	-	-	-	-	-	-	-	-	56,994,924	
60,585,820	-3,407,398	-	-25,829	-	-	-	-	-3,433,226	57,152,594	
-	-	-	-	-	-	-	-	-	-	
2,756,925	-2,616,142	-	-61,105	-	-	-	-	-2,677,246	79,679	
494,920	-488,521	-	-2,347	-	-	-	-	-490,868	4,053	
4,442,925	-4,321,381	-	-60,667	-	-	-	-	-4,382,048	60,877	
-	-	-	-	-	-	-	-	-	-	
146,287	-129,216	-	-7,389	-	-	-	-	-136,605	9,683	
7,841,058	-7,555,259	-	-131,508	-	-	-	-	-7,686,767	154,291	
-	-	-	-	-	-	-	-	-	-	
3,629,718	-2,780,768	-	-	-	-	-	-	-2,780,768	848,950	
3,629,718	-2,780,768	-	-	-	-	-	-	-2,780,768	848,950	
-	-	-	-	-	-	-	-	-	-	
71,366,902	-	-	-	-	-	-	-	-	71,366,902.05	
71,366,902	-	-	-	-	-	-	-	-	71,366,902.05	
-	-	-	-	-	-	-	-	-	-	
403,627,722	-201,105,022	-	-5,363,937	-328,400	-	-	-	-206,797,360	196,830,362	

APPENDIX B
Ikheis Local Municipality
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2021

	Cost Opening Balance Rand	Prior year Adjustments Rand	Additions Rand	Disposals Rand	Transfer Rand	Closing Balance Rand	Accumulated Depreciation		Current Year Depreciation Rand	Impairment Rand	Additions Rand	Disposal Rand	Transfer Rand	Closing Balance Rand	Carrying Value Rand
							Opening Balance Rand	Prior Year Adjustment Rand							
Infrastructure															
Water Network	28,741,502	-	-	-9,832	-	28,731,669	-20,200,076	-	-224,440	-3,704,529	-	9,674	-	-24,119,371	4,612,298
Sewerage Mains & Purification Plant	23,407,807	-	-	-	-	23,407,807	-15,674,314	-	-78,778	-6,301,624	-	-	-	-22,054,716	1,403,091
Electricity Streets & Highways	4,898,153	-	2,407,434	-1,708,833	-	5,596,753	-4,114,002	-	-94,609	-69,071	1,666,490	-	-	-2,811,113	2,885,641
Roads	143,870,050	-	-	-11,104	-	143,858,946	-115,420,710	-	-4,821,630	-3,788,910	-	11,101	-	-124,000,149	19,838,797
Refuse Disposal Site	48,400,472	-	-	-1,576,277	-1,822,085	45,001,910	-1,294,090	-	-3,643,372	-	-	1,314,246	-	-3,923,216	41,378,294
	249,265,953		2,407,434	-3,306,047	-1,822,085	246,544,656	-156,793,692		-9,662,248	-13,864,134		3,001,511		-176,628,364	70,016,092
Community Assets															
Halls	2,680,341	-	-	-	-	2,680,341	-2,381,420	-	-31,845	-	-	-	-	-2,393,265	287,076
Libraries	2,274,503	-	-	-2,574	-	2,271,929	-1,705,487	-	-51,391	-33,608	-	2,073	-	-1,787,862	483,967
Civic Buildings	1,960,456	-	-	-	-	1,960,456	-1,569,030	-	-28,371	-	-	-	-	-1,597,401	363,056
Recreational Grounds	5,361,912	-	-	-668	-	5,361,244	-4,017,880	-	-57,024	-168,192	-	668	-	-4,242,428	1,118,816
Cemeteries	263,938	-	-	-	-	263,938	-246,608	-	-811	-	-	-	-	-247,617	16,321
Parks and Gardens	12,660	-	-	-	-	12,660	-12,147	-	-60	-	-	-	-	-12,207	453
	12,563,830			-3,242		12,550,588	-9,912,770		-169,500	-654,005		3,242		-10,733,034	1,817,554
Land and Buildings															
Buildings	3,590,896	-	-	-	-	3,590,896	-3,382,456	-	-24,940	-	-	-	-	-3,407,396	183,499
Land	57,544,924	-549,000	-	-1,000,00	-	56,045,923	-	-	-	-	-	-	-	56,045,924	-
	61,135,820	-549,000		-1,000,00		60,585,819	-3,382,456			-24,940				-3,407,398	57,178,422
MAR Database															
Computer Equipment	3,150,593	-	-	-363,668	-	2,786,925	-2,892,417	-	-116,010	-	-	392,296	-	-2,616,142	140,784
Office Equipment	669,249	-	-	-13,328	-	655,921	-497,942	-	-3,952	-	13,323	-	-	-488,621	6,300
Motor Vehicles	4,442,925	-	-	-	-	4,442,925	-4,197,836	-	-123,544	-	-	-	-	-4,321,381	121,544
Machinery & Equipment	150,092	-	-	-3,804	-	146,287	-128,470	-	-4,543	3,797	-	-	-	-129,216	17,071
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	8,251,858			-410,800		7,841,058	-7,716,666		-247,599	3,797		405,693		-7,555,259	285,788
Landfill Assets															
Landfill sites	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lease hold Assets															
Lease hold Assets	3,629,718	-	-	-	-	3,629,718	-2,780,768	-	-	-	-	-	-	-2,780,768	848,950
	3,629,718					3,629,718	-2,780,768							-2,780,768	848,950
Work-in-progress Assets															
Work-in-progress Assets	62,733,201	-2,924,154	13,744,172	-	-	63,553,219	-	-	-	-	-	-	-	63,553,219	-
	62,733,201	-2,924,154	13,744,172			63,553,219								63,553,219	
Grand Total	387,670,381	-549,000	16,151,606	-3,721,089	-1,822,085	396,695,656	-180,496,352		-9,594,689	-14,514,343		3,410,361		-391,165,023	193,700,633

GRANT REGISTER
BIHES MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received 2019/2020

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts						Quarterly Expenditure						Grants and Subsidies Delayed / Withheld						AGREE WITH F.F.E.	Compliance to Revenue Act (1) See below	PERCENT SPEND
		June / rol over amount	Sept	Dec	March	June	Total	Sept	Dec	March	June	Total	Sept	Dec	March	June	TOTAL					
Financial Management Grant	National Treasury	-	2,880,000	-	-	-	2,880,000	814,734	726,937	535,691	802,658	2,880,020	2,065,266	-726,937	-535,691	-802,658	-20	N/A	Yes	100		
Library Grant	Sports, Arts & Culture	173,743	375,000	-	375,000	-	923,743	161,634	171,142	360,872	175,448	869,097	213,366	-171,142	14,128	-175,448	54,647	N/A	Yes	94		
Municipal Infrastructure Grant	COGHSTA - National	2,923,813	6,000,000	-	4,691,000	-	13,614,813	2,851,513	1,511,675	536,414	411,008	5,310,610	3,148,487	-1,511,675	4,154,596	-411,008	8,304,203	N/A	Yes	39		
EPWP Incentive Grant	DHWRT - Provincial	112,960	250,000	-	750,000	-	1,112,960	268,017	152,387	237,059	95,416	752,890	-18,017	-152,387	512,341	-95,416	360,070	N/A	Yes	68		
Water Services Infrastructure Grant	DWS	3,925,886	-	-	-	-	3,925,886	2,096,144	-	-	425,286	2,521,431	-2,096,144	-	-	-425,286	1,404,456	N/A	Yes	64		
TOTAL	Dept of Energy	7,136,402	9,505,000	-	5,816,000	-	22,457,402	6,192,042	2,662,122	1,670,936	1,909,817	12,334,047	3,312,989	-2,662,152	4,145,964	-1,909,817	10,123,356	-	N/A	Yes	0	
Total Grants and Subsidies Received		7,136,402	9,505,000	-	5,816,000	-	22,457,402	6,192,042	2,662,122	1,670,936	1,909,817	12,334,047	3,312,989	-2,662,152	4,145,964	-1,909,817	10,123,356	-	N/A	Yes	0	

Did your municipality comply with the grant conditions in terms of 'Grant Frameworks' in the latest Division of Revenue Audit?

The accounting officer is responsible for the preparation of these financial statements, which are set out on 46 pages in terms of section 123 (1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. In the year under review and after many years of using external consultant to prepare and compile the AFS, the Accounting Officer took a bold decision that these