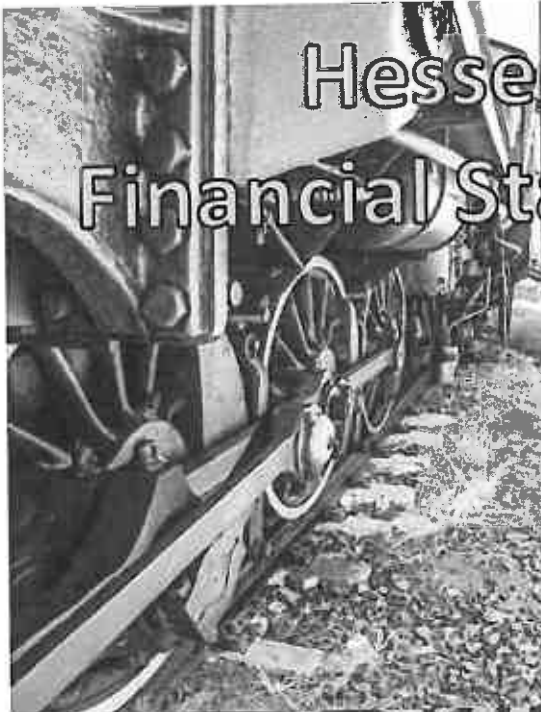


Hessequa Financial Statements



2021/2022

HESSEQUA LOCAL MUNICIPALITY

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HESSEQUA MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2022

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2022, which are set out on pages 1 to 122 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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

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

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

I have reviewed the Municipality's cash flow forecast for the year ended 30 June 2022 and am satisfied that the Municipality can continue its operational existence for the foreseeable future.

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

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

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



ASA de Klerk
Municipal Manager

31 August 2022

Date

HESSEQUA LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

GENERAL INFORMATION

NATURE OF BUSINESS

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

COUNTRY OF ORIGIN AND LEGAL FORM

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

JURISDICTION

The Hessequa Municipality includes the following areas:

Albertinia
Gouritsmond
Heidelberg
Jongensfontein
Melkhoutfontein
Riversdale
Slangrivier
Stilbaai
Wilsand

EXECUTIVE MAYOR

Mr G Riddles

DEPUTY EXECUTIVE MAYOR

MC van den Berg

SPEAKER

A Stroebel

CHIEF WHIP

GL Boezak
ME Dayimani
J Hartnick
IT Mangaliso

DA
ANC
VF+
PA

MEMBERS OF THE EXECUTIVE COMMITTEE

Chairperson
Member
Member
Member
Member

Mayor G Riddles
Deputy Mayor MC van den Berg
Councillor GL Boezak
Councillor HJ Saayman
Councillor BD Smith

MUNICIPAL MANAGER

M: Albertus Stephanus Abraham De Klerk

CHIEF FINANCIAL OFFICER

Helena Johanna Viljoen

REGISTERED OFFICE

Van den Berg Street
PO Box 29
RIVERSDALE
6670
Telephone 028 713 8000
Fax 086 401 5259

AUDITORS

The Auditor General
Private Bag X1
CHEMPET
7742
Telephone 021-528 4100
Fax 021-528 4201

PRINCIPLE BANKERS

FNB
Church Street
RIVERSDALE
Telephone 082-713 2434

ATTORNEYS

Johan Cronje Attorneys
Adv Helen Venter t/a Brasika Consulting (PTY) Ltd
Claassen & Steyn Attorneys
Greeff Attorneys
Kruger & Blignaut Attorneys
Melt Kloppers & Eloff Attorneys
Mosdell Palma & Cox Attorneys
Millers Incorporated
SA Hofmeyer & Son Attorneys
Stadler & Swart Attorneys

RELEVANT LEGISLATION

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

MEMBERS OF THE HESSEQUA LOCAL MUNICIPALITY

WARD

1

2

3

4

5

6

7

8

9

Proportional

Proportional

Proportional

Proportional

Proportional

Proportional

Proportional

COUNCILLOR

Cllr RG Davids

Cllr HJ Saayman

Cllr MC van den Berg

Cllr GL Boezak

Cllr AP Daniels

Cllr NA Joseph

Cllr B Van Noordwyk

Cllr CP Taute

Cllr S Le Roux

Cllr G Riddles

Cllr A Stroebe

Cllr BD Smith

Cllr JT Mangaliso

Cllr J Hartrick

Cllr L Pieterse

Cllr LC February

HESSEQUA LOCAL MUNICIPALITY

Statement from the Chief Financial Officer

1. Introduction

It is my pleasure to give a brief summary of the financial results of the Council for the financial year ended 30 June 2022.

The financial activities for the year are discussed in the various sections of this report.

2. Key financial indicators

Ratio Description

Current ratio

The current ratio is used to measure to which extent the municipality's liquid assets are able to cover its short-term liabilities, also known as working capital. Working capital refers to the financial resources to support the day-to-day operations of the entity giving effect to Section 215 of the Constitution.

The higher the ratio is to 1, the more liquid and solvent the municipality is and able to comply with Section 65 of the MFMA.

Revenue Management

Actual income vs Budgeted income

Level of government grants to own income

The increase in ratio indicates that the government grants received increased relative to the municipality's own income.

Expenditure management

Actual expenditure vs Budgeted expenditure

Personnel costs to total expenditure and councillors

Interest paid as percentage of total expenditure

The general accepted norm in this regard is 15%. The relatively low ratio indicates the Municipality's ability to finance capital programmes, to some extent, from own resources. The borrowing, funds and reserves policy prescribes the rate not to exceed 5%.

Creditors, unspent grants and VAT to Cash and Investments

Asset management

Acquisition of PPE - Actual vs budgeted

Capital Budget

Figures in Rand

Municipal Vote

Capital budget - Expenditure by GFS classification

	Final budget	Actuals	% Variances
Vote 01 - Office of the Municipal Manager	322 500	267 297	-17,12
Vote 03 - Financial Services	9 987 150	1 905 216	-52,22
Vote 02 - Corporate Services	2 370 089	2 173 469	-8,30
Vote 04 - Community Services	47 475 200	46 432 652	-2,20
Vote 05 - Technical Services	68 459 142	62 728 751	-8,37
Vote 06 - Spatial Plannign & Environmental Management	1 304 700	1 191 701	-8,66
	123 918 781	114 699 085	-7,44
	Budget Spent	92,56%	

	2021/22	2020/2021
	3,61	3,21
	105,16%	98,45%
	26,35%	17,98%
	90,60%	86,24%
	37,16%	38,82%
	3,55%	3,06%
	17,00%	20,78%

Council's original capital budget was R107 297 217 and was adjusted by R16 621 564 to R123 918 781. The municipality spend 92.56% of the adjusted budget. Refer to Appendix D for reasons for spending deviations.

	2021/2022	2020/202
<i>Consumer debtors and rates collection period</i> (Gross exchange debtors/service charges x 365) The higher the ratio in the days the more likelihood that some debt could be irrecoverable.	68,89 days	60,37 days
The debtors collection days increased by 8.5 days during the period. The risk for irrecoverable debts is therefore higher than the prior year.		
Collection rate - (levies for the year less receipts)	96,52%	98,02%
Debt management <i>Total liabilities/Total assets</i> The ratio remained mainly unchanged from the previous year.	25,11%	27,47%
<i>Long term debt to Total operating revenue (Excl grants and transfers)</i> (The borrowing, funds and reserves policy prescribes the rate not to exceed 35%.)	28,43%	37,31%
<i>Percentage of Total annual repayment of long term debt to operating expenditure</i> (The borrowing, funds and reserves policy prescribes the rate not to exceed 10%.)	3,96%	4,79%
<i>Trade creditors payment period</i> The municipality pays their creditors within 30 days as per the required by the MFMA. The reason for the long payment period, is due to the high amounts of creditors, which occurs at yearend. The higher the creditors, the longer the payment period.	46,54 days	67,35 days

3. Operating Results

The overall summarised operating results for the municipality in comparison to the approved budget is shown below.

	2021/22		2020/21	Growth
	Actual	Budget	Actual	
Revenue				
Agency services	2 893 648	2 598 502	2 641 186	9,56
Fines	61 931 662	56 100 574	55 690 179	11,21
Donated PPE	123 000	25 000	107 630	14,28
Interest Earned - External investments	19 380 443	13 500 000	14 047 737	37,96
Interest Earned - Outstanding debtors	2 371 920	582 835	2 139 606	10,86
Licenses and permits	1 988 190	1 928 486	1 876 814	5,93
Property rates	112 849 907	104 290 958	101 568 021	11,11
Rental of facilities and equipment	3 400 720	3 106 882	3 116 171	9,13
Services Charges	288 791 364	272 373 021	256 211 953	12,72
Availability Charges	10 446 531	11 880 566	10 681 702	-2,20
Transfers Recognised	138 917 010	151 622 844	84 096 078	65,19
Other revenue	23 021 119	19 740 656	16 165 311	42,41
	666 115 515	637 750 324	548 342 387	21,48

Statement from the Chief Financial Officer –(continued)

	2021/22		2020/2021	Growth
	Actual	Budget	Actual	
Expenses				
Bulk purchases	141 118 373	141 363 303	122 254 266	15,43
Contracted services	35 239 678	47 079 488	28 407 061	24,05
Debt Impairment	54 599 903	60 385 084	50 837 494	7,40
Depreciation and impairment	28 611 057	35 870 126	27 086 725	5,63
Employee related cost	196 269 682	209 040 013	181 817 351	7,95
Remuneration of councillors	7 929 971	10 007 468	7 838 749	1,16
Finance charges	19 487 523	24 334 705	14 924 766	30,57
Inventory consumed	32 245 166	35 182 916	26 720 642	20,68
Transfers and subsidies	3 444 891	3 786 940	1 972 856	74,61
Operating leases	1 636 465	-	1 589 728	2,94
Other expenditure	28 969 563	39 249 798	25 061 398	15,59
	549 552 271	606 299 841	488 511 032	12,50
Surplus/(Deficit) for the Year	116 563 244	31 450 483	59 831 355	
Reversal of Impairment Loss/(Impairment Loss) on Receivables	(2 410 648)		(1 736 245)	
GRAP2 Adjustment			928 377	
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	(10 421 426)		(5 878 351)	
Actuarial Gains/(Losses)	3 637 119			
Gains/(Losses) on Sale of Fixed Assets	9 787 021	10 000 000	219 756	
Profit/(Loss) on Fair Value Adjustments	17 487 157		372 752	
Water Losses	(982 603)		(409 866)	
Net operating Surplus	133 679 865	41 450 483	53 327 777	

3.1 Operating revenue

The major revenue streams that supported the programmes and activities of the municipality were:

- property rates
- services charges, consisting of the following:
 - electricity sales
 - water sales
 - waste water management
 - solid waste management
- government grants and subsidies
- other

Details of the main categories of income are as follows:

	2021/2022	2020/2021
Service Charges	43,35%	46,72%
Property rates	16,94%	18,52%
Grants and subsidies	20,85%	15,34%
Other	18,85%	19,42%
	100,00%	100,00%

3.2 Operating expenditure

Details of the main categories of expenditure for the year under review is provided below:

	2020/21	2019/20
Bulk purchases	25,68%	25,03%
Employee related cost/Council Remuneration	37,16%	38,82%
Depreciation and Impairment	5,21%	5,54%
Finance cost	3,55%	3,06%
Other	28,41%	27,55%
	100,00%	100,00%

4. Debtors

Total outstanding net debtors increased by R3 326 918 to a balance of R56 504 4246 at 30 June 2022. Income from traffic fines increased to R61 931 661 and outstanding traffic receivables amounted to R73 051 261 at 30 June 2022. A provision for impairment of traffic fines of R61 136 600 was made at year end.

5. Borrowings, Investments and Cash

Interest bearing debt increased to R149 863 209 for the financial year ended 30 June 2022. Cash and cash equivalents increased by R14 007 008 to close the year at R362 million.

6. Way forward

Council will need to ensure that its funds are utilised in income generating assets and not on non-essential items. Council's tariffs are already very high and the expenses of the operating budget will therefore need to be kept as low as possible. The fact that the medium term budget allows for a deficit, will put severe strain on the medium term cash flow, and the municipality might not be financially viable in the long term.

7. Expression of appreciation

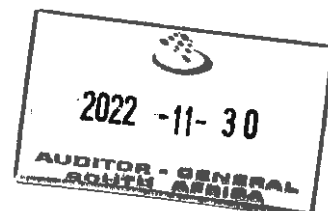
I am grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, without whose assistance these Annual Financial Statements would not have been possible.

H.J. VILJOEN
CHIEF FINANCIAL OFFICER
2022/08/31

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

	Notes	2022 R	2021 R Restated
ASSETS			
Non-Current Assets			
		1 094 436 207	975 870 087
Property, Plant and Equipment	2	994 018 369	893 060 140
Investment Property	3	91 486 333	74 146 177
Intangible Assets	4	409 010	234 276
Heritage Assets	5	8 522 495	8 429 495
Non-Current Receivables from Non-Exchange Transactions	6	-	-
Current Assets			
		424 502 850	408 275 487
Inventory	8	4 274 332	3 410 860
Receivables from Exchange Transactions	9	31 993 698	31 043 072
Receivables from Non-exchange Transactions	10	24 811 527	22 132 435
Operating Lease Assets	7	747 033	640 595
Taxes	19	-	2 375 664
Current Portion of Non-Current Receivables	6	-	3 607
Cash and Cash Equivalents	11	362 676 261	348 669 253
Total Assets		1 518 939 057	1 384 145 574
NET ASSETS AND LIABILITIES			
Non-Current Liabilities			
		263 707 763	253 077 877
Long-term Borrowings	12	128 087 900	149 854 747
Non-current Provisions	13	64 522 455	33 878 460
Non-current Employee Benefits	14	68 697 000	67 015 000
Trust Fund	64	2 400 408	2 329 671
Current Liabilities			
		117 696 068	127 212 336
Consumer Deposits	15	11 575 638	10 627 813
Current Employee Benefits	16	22 639 048	20 691 678
Trade and Other Payables from Exchange Transactions	17	52 458 852	57 339 070
Unspent Conditional Grants and Receipts	18	7 489 305	15 131 070
Taxes	19	1 721 228	-
Operating Lease Liability	7	36 688	46 036
Current Portion of Long-term Borrowings	12	21 775 309	23 376 667
Total Liabilities		381 403 831	380 290 214
Net Assets			
		1 137 535 226	1 003 855 360
Housing Development Fund	20	543 103	543 103
Accumulated Surplus/(Deficit)		1 136 992 123	1 003 312 258
Total Net Assets and Liabilities		1 137 535 226	1 003 855 360



HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 R	2021 R Reclassified
REVENUE			
Revenue from Non-exchange Transactions		326 807 302	254 553 892
Taxation Revenue		112 849 907	101 568 021
Property Rates	21	112 849 907	101 568 021
Transfer Revenue		139 040 010	84 203 708
Government Grants and Subsidies - Operating	22	64 890 324	62 997 675
Government Grants and Subsidies - Capital	22	73 789 655	20 560 278
Other Grants and Subsidies	23	237 032	538 126
Contributed Property, Plant and Equipment		123 000	107 630
Other Revenue		74 917 384	68 782 163
Fines, Penalties and Forfeits	21,1	61 931 662	55 690 179
Availability Charges	21,2	10 448 531	10 681 702
Interest Earned - Non-exchange Transactions		551 001	533 467
Licences and Permits	24	1 988 190	1 876 814
Revenue from Exchange Transactions		339 308 213	293 788 496
Service Charges	25	288 791 364	256 211 953
Sales of Goods and Rendering of Services	26	20 200 475	14 114 476
Rental from Fixed Assets	27	3 400 720	3 116 171
Interest Earned - External Investments	28	19 380 443	14 047 737
Interest Earned - Exchange Transactions	28	1 820 919	1 606 139
Agency Services	56	2 893 648	2 641 186
Operational Revenue	29	2 820 645	2 050 835
Total Revenue		666 115 515	548 342 388
EXPENDITURE			
Employee related costs	30	196 269 682	181 817 351
Remuneration of Councillors	31	7 929 971	7 838 749
Bad Debts Written Off		54 599 903	50 837 494
Contracted Services	32	35 239 678	28 407 061
Depreciation and Amortisation	33	28 611 057	27 086 725
Finance Costs	34	19 487 523	14 924 766
Bulk Purchases	35	141 118 373	122 254 266
Inventory Consumed	8	32 245 166	26 720 642
Operating Leases	7	1 636 465	1 589 728
Transfers and Subsidies	36	3 444 891	1 972 856
Operational Costs	37	28 969 563	25 061 398
Total Expenditure		549 552 271	488 511 034
Operating Surplus/(Deficit) for the Year		116 563 244	59 831 354
Reversal of Impairment Loss/(Impairment Loss) on Receivables	38	(2 410 646)	(1 736 245)
Gains/(Loss) on Sale of Fixed Assets	39	9 787 021	219 756
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	2	(10 421 426)	-
Profit/(Loss) on Fair Value Adjustments	40	17 487 157	372 752
Actuarial Gains/(Losses)	14	3 637 119	(5 878 351)
IGRAP2 Adjustment		-	928 377
Water Losses	41	(962 603)	(409 866)
NET SURPLUS/(DEFICIT) FOR THE YEAR		133 679 865	53 327 776



HESSEQUA LOCAL MUNICIPALITY

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

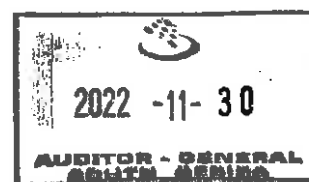
	Housing Development Fund R	Accumulated Surplus/ (Deficit) R	Total R
Balance 1 July 2020	643 103	948 810 150	949 353 253
Net Surplus/(Deficit) for the year - Restated as per note 44	-	53 327 776	53 327 776
Balance at 30 June 2021	643 103	1 002 137 926	1 002 681 029
Correction prior year - Note 44	-	1 174 332	1 174 332
Restated balance 30 June 2021	643 103	1 003 312 258	1 003 665 360
Net Surplus/(Deficit) for the year	-	133 679 865	133 679 865
Balance at 30 June 2022	643 103	1 136 992 123	1 137 536 226


2022 -11- 30
AUDITOR - GENERAL
SOUTH AFRICA

HESSEQUA LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 R	2021 R Reclassified
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Property Rates		111 418 663	102 385 674
Service Charges		279 088 353	247 277 937
Fines		15 448 692	10 852 729
Availability charge		8 868 830	5 244 260
Other Revenue		29 858 337	22 210 431
Government - Operating		57 248 559	72 881 099
Government - Capital		74 026 687	20 210 805
Cash payments			
Employees		(196 933 165)	(179 011 920)
Suppliers		(236 171 717)	(183 244 713)
Transfers and Grants		(3 444 891)	(1 972 856)
Cash generated from operations	45	139 408 348	116 833 445
Interest received		21 752 363	16 187 343
Interest paid		(19 487 523)	(14 924 766)
Net Cash from Operating Activities		141 673 187	118 096 023
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(114 292 965)	(94 821 563)
Proceeds on Disposal of Fixed Assets		10 203 765	1 531 392
Purchase of Investment Properties		-	(427 260)
Purchase of Intangible Assets		(190 120)	-
Purchase of Heritage Assets		(93 000)	-
Decrease/(Increase) in Non-Current Debtors		3 607	3 333
Net Cash from Investing Activities		(104 368 713)	(93 714 098)
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowing - Long term/Refinancing		-	90 000 000
Increase in Trust Funds		70 737	68 396
Repayment of Borrowing		(23 368 204)	(21 413 119)
Net Cash from Financing Activities		(23 297 467)	68 655 277
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		14 007 007	93 037 201
Cash and Cash Equivalents at the beginning of the year		348 669 253	255 632 052
Cash and Cash Equivalents at the end of the year	46	362 676 261	348 669 253
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		14 007 007	93 037 201





**HESSEQUA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022**

Notes	Original Budget		Budget Adjustments (i.t.o. s28 and s31 of the MFMA)		Final Adjustment Budget		Virement (i.t.o. Council approved by-law)		Final Budget		Actual Outcome		Actual Outcome as % of Final Budget
	R		R		R		R		R		R		
ASSETS													
Current Assets													
		5 489 769	(1 500 000)	3 989 769	3 989 769				3 989 769		2 571 259		-35,55%
		212 974 009	42 530 985	255 504 994	255 504 994				255 504 994		360 105 001		40,94%
		33 307 928	-	33 307 928	33 307 928				33 307 928		31 993 698		-3,95%
		21 083 081	-	21 083 081	21 083 081				21 083 081		25 558 560		21,23%
		3 432	-	3 432	3 432				3 432		-		-100,00%
		2 800 715	672 640	3 473 355	3 473 355				3 473 355		4 274 332		23,06%
49.2.1		275 658 934	41 703 625	317 362 559	317 362 559				317 362 559		424 502 850		33,76%
Non-Current Assets													
		3 823	-	3 823	3 823				3 823		-		-100,00%
		73 606 414	-	73 606 414	73 606 414				73 606 414		91 486 333		24,29%
		1 027 614 552	(67 500 301)	960 114 251	960 114 251				960 114 251		994 078 369		3,53%
		309 788	-	309 788	309 788				309 788		409 010		32,03%
		8 321 875	-	8 321 875	8 321 875				8 321 875		8 522 495		2,41%
49.2.2		1 109 856 452	(67 500 301)	1 042 356 151	1 042 356 151				1 042 356 151		1 094 436 207		5,00%
		1 385 515 386	(25 796 676)	1 359 718 710	1 359 718 710				1 359 718 710		1 518 939 057		11,71%
TOTAL ASSETS													
LIABILITIES													
Current Liabilities													
		23 296 470	-	23 296 470	23 296 470				23 296 470		21 811 998		-6,37%
		9 438 069	-	9 438 069	9 438 069				9 438 069		11 575 638		22,65%
		53 319 069	17 563 371	70 882 440	70 882 440				70 882 440		61 669 385		-13,00%
		9 288 375	12 574 421	21 862 796	21 862 796				21 862 796		22 639 048		3,55%
49.2.3		95 341 983	30 137 792	125 479 775	125 479 775				125 479 775		117 696 068		-6,20%
Non-Current Liabilities													
		179 937 131	(41 625 001)	138 312 130	138 312 130				138 312 130		130 488 308		-5,66%
		166 230 671	(54 861 517)	111 369 154	111 369 154				111 369 154		133 219 455		19,62%
49.2.4		346 167 802	(96 486 518)	249 681 284	249 681 284				249 681 284		263 707 763		5,62%
		441 509 785	(66 348 726)	375 161 059	375 161 059				375 161 059		381 403 831		1,66%
TOTAL LIABILITIES													
NET ASSETS													
		943 462 498	40 552 050	984 014 548	984 014 548				984 014 548		1 136 992 123		15,55%
		543 103	-	543 103	543 103				543 103		543 103		0,00%
		944 005 601	40 552 050	984 557 651	984 557 651				984 557 651		1 137 535 226		15,54%



HESSEQUA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)		Final Adjustment Budget		Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
		R	R	R	R				
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
	102 107 138	-	102 107 138		102 107 138		102 107 138	111 418 663	9,12%
Taxation	278 593 015	(25 000)	278 568 015		278 568 015		278 568 015	279 088 353	0,19%
Service Charges	34 947 847	(4 722 221)	30 225 626		30 225 626		30 225 626	54 175 859	79,24%
Other Revenue	68 460 778	8 438 692	76 899 470		76 899 470		76 899 470	57 248 559	-25,55%
Government - Operating	48 221 950	26 306 424	74 528 374		74 528 374		74 528 374	74 026 687	-0,67%
Government - Capital	13 500 000	-	13 500 000		13 500 000		13 500 000	21 752 363	61,13%
Interest									
Payments									
	(452 194 437)	(20 973 704)	(473 168 141)		(473 168 141)		(473 168 141)	(433 104 882)	-8,47%
Suppliers and Employees	(16 971 781)	-	(16 971 781)		(16 971 781)		(16 971 781)	(19 487 523)	14,82%
Finance costs	(2 028 460)	(2 043 480)	(4 071 940)		(4 071 940)		(4 071 940)	(3 444 891)	-15,40%
Transfers and Grants									
	74 636 050	6 980 711	81 616 761		81 616 761		81 616 761	141 673 187	73,58%
49.2.8									
Net Cash from/(used) Operating Activities									
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
	10 000 000	-	10 000 000		10 000 000		10 000 000	10 203 765	2,04%
Proceeds on disposal of PPE								3 607	
Decrease/(Increase) in Non-Current Debtors									
Payments									
	(103 067 844)	(20 860 937)	(123 918 781)		(123 918 781)		(123 918 781)	(114 576 085)	-7,54%
Capital Assets	(93 067 844)	(20 850 937)	(113 918 781)		(113 918 781)		(113 918 781)	(104 368 713)	-8,38%
49.2.9									
Net Cash from/(used) Investing Activities									
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
	46 929 134	(46 928 134)	-		-		-	-	-
Borrowing long term/refinancing	(378 130)	378 130	-		-		-	70 737	-
Increase in Trust Funds									
Increase/(Decrease) in Consumer Deposits									
Payments									
	(23 296 470)	-	(23 296 470)		(23 296 470)		(23 296 470)	(23 366 204)	0,31%
Repayment of Borrowing	23 254 534	(46 551 004)	(23 296 470)		(23 296 470)		(23 296 470)	(23 297 467)	0,00%
49.2.10									
Net Cash from/(used) Financing Activities									
NET INCREASE/(DECREASE) IN CASH HELD									
Cash and Cash Equivalents at the year begin:									
	213 641 038	101 452 215	315 093 253		315 093 253		315 093 253	348 669 253	10,66%
	216 463 778	41 030 985	259 494 763		259 494 763		259 494 763	362 676 261	39,76%
Cash and Cash Equivalents at the year end:									



HESSEQUAL LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

Notes	Original Budget	Budget Adjustments (i.l.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Virement (i.l.o. Council approved by-law)		Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
				R	R			
REVENUE								
Property Rates	104 190 958	100 000	104 290 958	-	-	104 290 958	112 849 907	8,21%
Availability Charges	11 880 566	-	11 880 566	-	-	11 880 566	10 446 531	-12,07%
Service Charges - Electricity Revenue	180 956 514	-	180 956 514	-	-	180 956 514	185 888 273	2,73%
Service Charges - Water Revenue	41 859 980	-	41 859 980	-	-	41 859 980	46 252 220	10,49%
Service Charges - Sanitation Revenue	22 046 140	(25 000)	22 046 140	-	-	22 046 140	25 482 338	15,59%
Service Charges - Refuse Revenue	27 535 387	(89 400)	27 510 387	-	-	27 510 387	31 168 533	13,30%
Rental of Facilities and Equipment	3 186 282	-	3 186 282	-	-	3 186 282	3 400 720	9,46%
Interest Earned - External Investments	13 500 000	-	13 500 000	-	-	13 500 000	19 380 443	43,56%
Interest Earned - Outstanding Debtors	582 835	-	582 835	-	-	582 835	2 371 920	306,96%
Fines	54 401 661	1 698 913	56 100 574	-	-	56 100 574	61 931 682	10,39%
Licences and Permits	1 928 486	-	1 928 486	-	-	1 928 486	1 988 190	3,10%
Agency Services	2 598 502	-	2 598 502	-	-	2 598 502	2 893 648	11,36%
Transfers Recognised - Operational	68 460 778	7 778 692	76 239 470	120 000	120 000	76 359 470	85 117 331	-14,72%
Other Revenue	19 757 802	(17 146)	19 740 656	-	-	19 740 656	23 021 119	16,62%
Profit/(Loss) on Fair Value Adjustments	-	-	-	-	-	-	17 487 157	-
Contributed Property, Plant and Equipment	-	-	-	-	-	-	123 000	-
IGRAP2 Adjustment	-	-	-	-	-	-	-	-
Gains on Disposal of PPE	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	562 885 891	9 446 059	572 341 950	120 000	120 000	572 461 950	819 580 013	8,23%
EXPENDITURE								
Employee Related Costs	207 840 721	1 199 292	209 040 013	-	-	209 040 013	192 632 564	-7,85%
Remuneration of Councillors	10 007 488	-	10 007 488	-	-	10 007 488	7 929 871	-20,76%
Debt Impairment	59 604 886	80 198	59 685 084	700 000	700 000	60 385 084	57 010 549	-5,59%
Depreciation and Asset Impairment	35 870 126	-	35 870 126	-	-	35 870 126	28 611 057	-20,24%
Finance Charges	24 334 705	-	24 334 705	-	-	24 334 705	19 487 523	-19,82%
Bulk Purchases - Electricity	141 337 303	26 000	141 363 303	-	-	141 363 303	141 118 373	-0,17%
Other Materials	34 456 809	222 238	34 679 047	503 869	503 869	35 182 916	32 245 186	-8,35%
Contracted Services	40 964 150	6 287 060	47 251 210	(151 722)	(151 722)	47 099 488	35 239 678	-25,15%
Transfers and Grants	2 028 480	2 148 480	4 176 940	(390 000)	(390 000)	3 786 940	3 444 881	-9,03%
Other Expenditure	40 265 221	(473 276)	39 791 945	(542 147)	(542 147)	39 249 798	31 568 631	-19,57%
Impairment Loss	-	-	-	-	-	-	10 421 428	-
Total Expenditure	598 709 849	9 469 982	608 179 841	120 000	120 000	608 299 841	559 709 827	-7,88%
Surplus/(Deficit)	(33 813 958)	(23 933)	(33 837 891)	-	-	(33 837 891)	59 880 186	-276,96%
Transfers Recognised - Capital	48 221 950	27 041 424	75 263 374	-	-	75 263 374	73 799 679	-1,84%
Contributed Assets	-	25 000	25 000	-	-	25 000	-	-100,00%
Surplus/(Deficit) after Capital Transfers & Contributions	14 407 982	27 042 491	41 450 483	-	-	41 450 483	133 679 865	222,50%
Surplus/(Deficit) for the year	14 407 982	27 042 491	41 450 483	-	-	41 450 483	133 679 865	

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and is in accordance with the historical cost convention, except where indicated otherwise.

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

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

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 2021 and 30 June 2022 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only in the following instances, where it:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flows.

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

In terms of Directive 11: "Changes in Measurement Bases following the Initial Adoption of Standards of GRAP" Issued by the Accounting Standards Board, the Municipality elected to change the measurement basis selected for Property, Plant and Equipment, Investment Property, Intangible Assets and Heritage Assets on the initial adoption of Standards of GRAP.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

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

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

The municipality strives toward ethical reporting and transparent insights into the applied judgements and financial uncertainties which the municipality faces as a result of the Covid-19 pandemic and have been included in the accounting policies and/or notes to the financial statements.

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

1. 2. 1 Revenue Recognition

Accounting Policy 13.2 on *Revenue from Exchange Transactions* and Accounting Policy 13.3 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, 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*. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.



HESSEQUA LOCAL MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

1. BASIS OF PRESENTATION (continued)

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

1. 2 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 9.1 on *Financial Assets Classification* and Accounting Policy 9.2 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. 2 3 Impairment of Financial Assets

Accounting Policy 9.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of 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 made assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

● **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 credit worthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions, Receivables from Non-exchange Transactions and that of Long-term Receivables are disclosed in Notes 9 and 10 to the Annual Financial Statements.

1. 2 4 Fair Value Estimations

As described in Accounting Policy 6.2, the municipality subsequently measures its Investment Property in terms of the Fair Value Model.

The valuation of assets is based on management's estimation. Management considered the impact of valuation techniques and market information in order to determine the current valuations, and more specifically as follows:

- Investment Property is measured at fair value amounts based on valuation techniques and market information. The actual value of these items could differ from values estimated.

1. 2 5 Useful lives of Property, Plant and Equipment

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the 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 assessment and considerations of useful lives are set out in Accounting policy 8, Estimation of Useful Lives.

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

1. 2 6 Impairment: Write down of Property, Plant and Equipment, Intangible assets, Heritage assets and Inventories

Accounting Policy 3.9 on *PPE - Impairment of assets* and Accounting Policy 5.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment*, Accounting Policy 11.2 on *Inventory - Subsequent measurement* and Accounting policy 4.3 on *Heritage assets - Subsequent Measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

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 Cash generating Assets* and GRAP 26: *Impairment of non-Cash generating Assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgement by management.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. BASIS OF PRESENTATION (continued)

1. 2 7 IGRAP 18 Recognition and Derecognition of land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follows (IGRAP 18 par 40):

Land controlled by the municipality as a result of a past event and from which future economic benefit or service potential is expected to flow to the entity are recognised by the municipality. Control is evidenced by the municipality's ability to use, or direct others to use the land and also by the right to direct access to the land, and to restrict or deny access of others to the land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follows (IGRAP 18 par 41):

Land not controlled by the municipality as a result of a past event and from which future economic benefit or service potential will not flow to the entity. The municipality does not have the ability to use, or direct others to use the land. The municipality does not have right to direct access to the land, and to restrict or deny access of others to the land. There are various housing scheme land where the municipality is still the legal owner per the deeds office, but control and substantive rights were transferred. This land is not recognised by the municipality.

1. 2 8 Defined Benefit Plan Liabilities

As described in Accounting Policy 16, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations, and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 14 of the Annual Financial Statements.

1. 2 9 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes, 14 and 57 respectively. Provisions are discounted where the effect of discounting is material, using actuarial valuations.

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

Management referred to the following when making assumptions regarding provisions:

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

1. 2 10 Water Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs has been determined, 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 Note 8 of the accounting policy notes to the Annual Financial Statements.

1. 2 11 Budget information

Municipalities are typically subject to budgetary limits in the form of budget authorisations, which is given effect through authorising legislation, appropriation or similar. General purpose financial reporting by the municipality provides information on whether resources were obtained and used in accordance with the legally adopted budget.

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury.

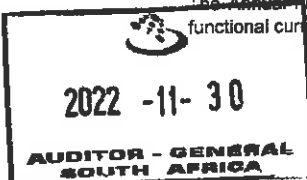
The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 01/07/2021 to 30/06/2022.

The financial statements and the budget are on the same basis of accounting, therefore a comparison with the budgeted amounts for the reporting period are disclosed separately in the Statement of comparison of budget and actual amounts.

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences above 5% are explained in the notes to the annual financial statements.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency. No foreign exchange transactions are included in the statements.



HESSEQUA LOCAL MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

1. BASIS OF PRESENTATION (continued)

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis and will continue in operation for the foreseeable future. In assessing whether the going concern assumption is appropriate under the current economic climate resulting from the COVID-19 pandemic, management considered a wide range of factors including the current and expected performance of the municipality, any announced and potential restructuring of organisational units, the likelihood of continued government funding, and, if necessary, potential sources of replacement funding.

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. 6 MATERIALITY

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

1. 7 STANDARDS AND AMENDMENTS TO STANDARDS ISSUED BUT NOT YET EFFECTIVE

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements will be adjusted in accordance with GRAP 3.

Amendments were made to the following GRAP interpretations:

- IGRAP 1 Applying the Probability Test on Initial Recognition of Revenue
- IGRAP 20 Accounting for Adjustments to Revenue

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 1 July 2022 or later periods, but are not relevant to its operations:

Reference	Topic	Effective date
GRAP 1 (amended)	Presentation of Financial Statements	01-Apr-25
GRAP 2020	Improvements to standards of GRAP	01-Apr-23
GRAP 104 (Revised April 2020)	Financial Instruments The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	01-Apr-25
GRAP 25 (as revised)	Employee benefits The main impact relates to amendments regarding the presentation of defined benefit plans	No effective date as yet
Guidelines	Guideline on Accounting for Landfill sites No significant impact is expected as no such transactions or events are expected in the foreseeable future.	No effective date as yet
IGRAP 7 (as revised)	The limit of a defined benefit asset, minimum funding requirements and their interaction. No significant impact is expected as no such transactions or events are expected in the foreseeable future.	Unknown
IGRAP 21	The Effect of Past Decisions on Materiality	01-Apr-23



HESSEQUA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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 the 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, a 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.

Management has considered all of the above-mentioned GRAP standards issued, but not yet effective, and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1 Housing development fund/Housing operating account

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Municipality maintains a separate housing operating account. This legislated separate operating account is known as the 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 sale 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.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash-backed, and invested in accordance with the investment policy of the Municipality.
- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

2. 2 Trust Funds

The following trust funds exist in the municipality:

2. 2. 1 Development Fund for the Maintenance and Operation of Nature Areas in Still Bay

This fund was established in terms of section 76.2 of the Municipal Ordinance, 1974 (Ordinance 20 of 1974) with the sanction of the Premier on 14 August 1998.

2. 2. 2 Elsje Koorts Tuberculosis Fund

This fund was established in terms of clause 4 of the last will and testament of the late Elsje Koorts, and states inter alia that "the remainder of my estate will be used for the treatment of tuberculosis cases in Riversdale..."

Subsequent interest earned on the invested funds are accounted for using the accrual basis and are added to the carrying amount of trust funds. The accrued interest is utilised as per the trust funds conditions as set out above.

These funds are invested in a ring fenced investment account.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

3. PROPERTY, PLANT AND EQUIPMENT

3. 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 for more than one year.

The following items will be regarded as Property, plant and equipment rather than investment property:

- Owner-occupied property (including held for future use);
- Owner-occupied property held for development;
- Property occupied by employees for housing;
- Owner-occupied property held for disposal;
- Property held by the municipality to fulfil its mandated function rather than rental or capital appreciation and;
- Property held by the municipality for strategic purpose

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 is 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.

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

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

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

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

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

3. 2 Subsequent Cost and 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 that part of the asset being replaced and capitalises the new component.

Subsequently, property plant and equipment, including Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset, and that have different useful lives are depreciated separately. The depreciation charge is recognised in the Statement of Financial Performance.

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

The depreciation rates are based on the following estimated useful lives:



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	Years		Years
Infrastructure		Buildings	5 - 50
Roads and Paving	10 - 100		
Electricity	8 - 57	Other	
Water	8 - 100	Emergency equipment	2 - 30
Sewerage	7 - 100	Plant and equipment	1 - 20
Landfill Sites	10 - 36	Motor vehicles	4 - 23
		Office equipment	1 - 23
Community		Security equipment	5
Recreational Facilities	6 - 135		

The municipality reviews the estimates of the useful lives and residual values in accordance with Accounting Policy 8, Estimation of Useful Lives.

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. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

3. 4 Work In Progress

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

3. 5 Finance Leases

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.

3. 6 Land

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

3. 7 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.

3. 8 Housing Development Fund Assets

The Housing Development Fund contains letting schemes that is included in Council's Property, Plant and Equipment. All surpluses generated from the letting schemes are transferred to the Housing Development Fund.

3. 9 Decommissioning and Restoration Assets

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

The related asset (under cost model) is measured as follows:

- Changes in the liability, shall be added or deducted from the asset cost;
- The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit.
- If the adjustment results in an addition to the cost of an asset, the municipality shall consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the entity shall test the asset for impairment by estimating its recoverable amount or recoverable service amount, and shall account for any impairment loss, in accordance with its impairment policy. Refer to paragraph 7 of the policy.

3. 10 Derecognition of property, plant and equipment

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

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

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



HESSEQUA LOCAL MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

4. Heritage Assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding their estimated useful lives. The municipality assesses at each reporting date if there is an indication of impairment.

4. 1 Initial Recognition

The cost of an item of heritage assets 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.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets 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 by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

4. 2 Subsequent Measurement

Subsequent expenditure relating to heritage assets 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.

Subsequently, all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

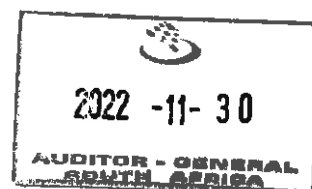
Heritage assets are tested annually for impairment. Where items of heritage assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount.

4. 3 Derecognition of Heritage assets

The carrying amount of an item of heritage assets 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 heritage assets is included in surplus or deficit when the item is derecognised.

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



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

5. INTANGIBLE ASSETS

5. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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

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

The Municipality does not internally generate intangible assets.

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

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the relevant segments of the Municipal Standard Chart of Accounts (mSCOA).

5. 2 Subsequent Measurement, Amortisation and Impairment

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

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

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over finite intangible assets' useful lives. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised. For example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

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

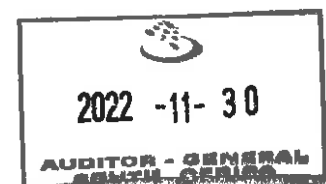
The annual amortisation rates are based on the following estimated useful lives:

Intangible assets	Years
Computer software	7 - 20
Water rights	30

Intangible assets are tested annually for impairment, including intangible assets not yet available for use. Intangible assets with an indefinite useful life are tested for impairment whenever there are indications of impairment. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount.

The municipality reviews the estimates of the useful lives, residual values and amortisation method at each year-end, in accordance with Accounting Policy 8, Estimation of Useful Lives.

Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

5. INTANGIBLE ASSETS (continued)

5. 3 Derecognition

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

6. INVESTMENT PROPERTY

6. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease in the capacity as lessee and where it is being sublet) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

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

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

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

- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- Land held for a currently undetermined future use (if the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- A property owned by the municipality and leased out at a below market rental; and
- Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of investment property and shall be classified as Property, Plant and Equipment, Inventory or Assets Classified as Held for Sale, as appropriate:

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

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the relevant segments of the Municipal Standard Chart of Accounts (mSCOA).

If the Municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

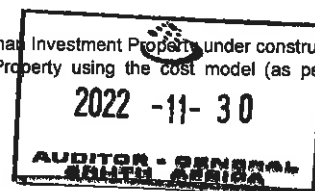
Where the Municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy for property, plant and equipment).

6. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the Accounting Policy for Property, Plant and Equipment).



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

6. INVESTMENT PROPERTY (continued)

6. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal.

7. IMPAIRMENT OF ASSETS

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

7. 1. Impairment of Cash generating assets

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

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

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

- a) External sources of information
 - Cessation, or near cessation, of the demand or need for services provided by the asset.
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.
- b) Internal sources of information
 - Evidence is available of physical damage of an asset;
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
 - A decision to halt the construction of the asset before it is complete or in a usable condition;
 - Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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

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

Any impairment loss of a revalued asset reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

7. 2. Impairment of Non-Cash generating assets

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

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

- a) External sources of information
 - Cessation, or near cessation, of the demand or need for services provided by the asset.
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.
- b) Internal sources of information
 - Evidence is available of physical damage of an asset;
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
 - A decision to halt the construction of the asset before it is complete or in a usable condition;
 - Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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

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

The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- Depreciated replacement cost approach:

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

- Restoration cost approach:

The cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- Service 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. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

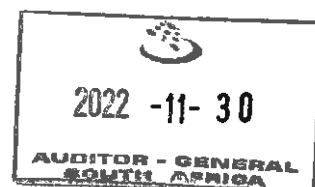
An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.



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8. ESTIMATION OF USEFUL LIVES

The municipality depreciates its assets over the estimated useful lives.

The useful life of an asset is defined as:

- The period over which an asset is expected to be available for use by an municipality, or
- The number of production or similar units expected to be obtained from the asset by the municipality.

The municipality assesses at each reporting date whether there is any indication that the useful life of an asset has changed. If any such indication exists the useful life is changed.

Any change in the useful life is accounted for as change in estimate in accordance with GRAP 3 (*Accounting policies, change in accounting estimates and errors*)

Annually the municipality considers whether there has been any indication that the initial useful lives of assets needs to be revised. The municipality considers the following during the assessment of its assets' useful lives. Whether:

- (a) The composition of the asset has changed,
- (b) The use of the asset has changed because of the following:
 - (i) The municipality has changed the manner in which the asset is used;
 - (ii) The municipality has changed the utilisation rate of the asset;
 - (iii) The municipality has made the decision to dispose of the asset during a future reporting period which results in a change in the useful life of the asset;
 - (iv) Technological, environmental or commercial changes occurred during the reporting period that will change the use of the asset;
 - (v) The asset was idle or retired during the current reporting period.
- (c) The asset is approaching its previously expected useful life,
- (d) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period,
- (e) The asset is assessed as being impaired in accordance with the Accounting Policy 7.1 and 7.2 on Impairment of Assets.

A decrease in the estimated useful life of an asset is accounted for as an impairment in the Statement of Financial Performance.

The impairment of an asset is accounted for in accordance with Accounting policy 7.1 and 7.2 on Impairment of Assets.

The estimation of the useful lives of the municipality's assets is a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors.

9. FINANCIAL INSTRUMENTS

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

Initial recognition

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

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

Fair value methods and assumptions

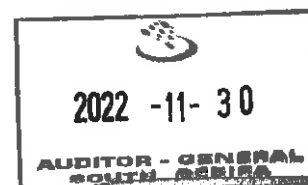
The fair values of financial instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the municipality establishes 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 and relying as little as possible on entity-specific inputs.

The effective interest rate method

The effective interest rate 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.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

9. FINANCIAL INSTRUMENTS (continued)

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.

9. 1 Financial Assets - Classification

A financial asset is any asset that represents cash or contractual right to receive cash or another financial asset from another entity.

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

- **Financial assets at amortised cost** 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 any of the following conditions:
 - (a) derivatives;
 - (b) combined instruments that are designated at fair value
 - (c) instruments held for trading.
 - (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.
- **Financial assets measured at cost** are investments in residual interests 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
Bank, Cash and Cash Equivalents – Call Deposits	Financial assets at amortised cost
Bank, Cash and Cash Equivalents – Cash	Financial assets at fair value
Bank, Cash and Cash Equivalents – Bank	Financial assets at amortised cost
Operating Lease Receivables	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Current Portion of Long-term Receivables	Financial assets at amortised cost
Trade receivables from exchange transactions	Financial assets at amortised cost
Trade receivables from non-exchange transactions	Financial assets at amortised cost
Investments in Fixed Deposits	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, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial assets at amortised cost.

9. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset 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) Fair value;
- (ii) Amortised cost; or
- (iii) Cost.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

9. FINANCIAL INSTRUMENTS (continued)

9. 2 Financial Liabilities - Classification (continued)

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

Type of Financial Liability	Classification in terms of GRAP 104
Long term liabilities	Financial liability at amortised cost
Other creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short term loans	Financial liability at amortised cost
Current portion of long term liabilities	Financial liability 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.

9. 3 Initial and Subsequent Measurement

9. 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 Municipality 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.

9. 3. 2 Financial Liabilities:

Financial liabilities

Financial liabilities are initially measured at fair value. Subsequently financial liabilities are measured at amortised cost.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded as 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.

9. 4 Impairment of Financial Assets

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



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

9. FINANCIAL INSTRUMENTS (continued)

9. 4 Impairment of Financial Assets (continued)

Financial assets carried at amortised cost

Accounts receivable encompasses Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

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

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

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

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

Impairment of Financial Assets measured at cost

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

9. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially, all the risks and rewards of ownership, and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

9. 6 Derecognition of Financial Liabilities

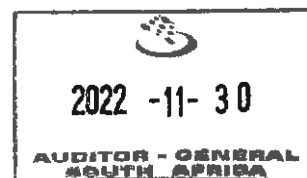
The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

10. STATUTORY RECEIVABLES

10. 1 Identification

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



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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

10. STATUTORY RECEIVABLES (continued)

10. 2 Initial recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

10. 3 Subsequent measurement

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

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

10. 4 Impairment

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

The municipality considers the following as indicators:

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

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

10. 5 Derecognition

The Municipality derecognises a statutory receivable when:

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

10. 6 Transitional provisions

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard, the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables. Over time our understanding and insights as to the requirements of a new standard improves, therefore the municipality chooses to make use of the transitional provision. The current financial year is the last year the transitional provision can be used.

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

11. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

11. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES (continued)

Market Risk

- Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.
- The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk.
- Sensitivity analysis for each of the market risks

Credit Risk

- Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality's receivables from customers.
- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk

- Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.
- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 49.8 to the annual financial statements.

12. INVENTORIES

12. 1 Initial Recognition

Inventories comprise current assets held for sale and current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

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

12. 2 Subsequent Measurement

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

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that a municipality expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the FIFO cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date, comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

12. INVENTORIES (continued)

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

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

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

13. REVENUE RECOGNITION

13. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality, and these benefits can be measured reliably, except when specifically stated otherwise.

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 reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances. 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 will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. 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.

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

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 approximate 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.

13. 2 Revenue from Exchange Transactions

13. 2. 1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the 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 being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

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



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

13. REVENUE RECOGNITION (continued)

13. 2. 2 *Pre-paid Electricity*

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

13. 2. 3 *Finance income*

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

Interest earned on 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, if the grant conditions indicate that interest is payable to the funder.

13. 2. 4 *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.

13. 2. 5 *Income from Agency Services*

Income for agency services is recognised on a monthly basis once the income collected on behalf of principals has been quantified. The income recognised is in terms of the agency agreement.

13. 2. 6 *Sale of Goods (including Houses)*

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

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

13. 2. 7 *Rentals*

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

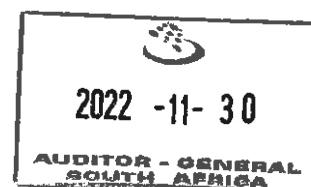
13. 3 Revenue from Non-exchange Transactions

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.

13. 3. 1 *Rates and Taxes*

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.



HESSEQUA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

13. REVENUE RECOGNITION (continued)

13. 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.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable, considering the allowance in terms of IGRAP 1 to use estimates to determine the amount of revenue that the municipality is entitled to collect.

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.

Subsequent to initial recognition and measurement, the collectability of the revenue is assessed and an impairment loss is recognised where appropriate.

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.

13. 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.

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

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

13. 3. 4 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are under the control of the municipality.

13. 3. 5 Services in-kind

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

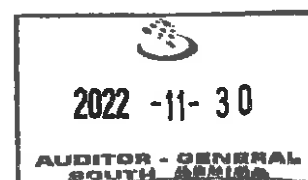
- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

13. 3. 6 Unclaimed Deposits

All unclaimed deposits are initially recognised as a liability until 12 months expires when all unclaimed deposits in the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore, the substance of these transactions indicates that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keeps record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

13. 3. 7 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

14. CONDITIONAL 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.

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

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.

Interest earned on 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.

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.

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.

15. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that 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.



HESSEQUA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

15. PROVISIONS (Continued)

Provision for Restructuring cost

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

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken;
 - when the plan will be implemented; and;
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

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.

16. EMPLOYEE BENEFIT LIABILITY

16. 1 Short-term Employee Benefits

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

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

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position. A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

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

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

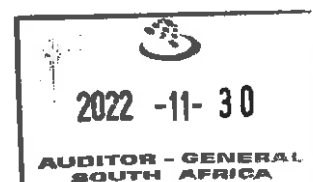
16. 2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

16. 2. 1 Defined Contribution Plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

16. EMPLOYEE BENEFITS (continued)

16. 3 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

16. 3. 1 Post-retirement Health Care Benefits:

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

The defined benefit liability is the aggregate of the present value of the defined benefit obligation. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

The municipality recognises actuarial gains and losses in full in the period in which they occur.

Past-service costs are recognised immediately in the Statement of Financial Performance.

16. 3. 2 Long-service Awards

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

16. 3. 3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 14 of the Annual Financial Statements for details). These plans are either accounted for as defined benefit plans or defined contribution plans, based on their nature as set out in note 14. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued every three years (unless staff numbers vary materially) on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

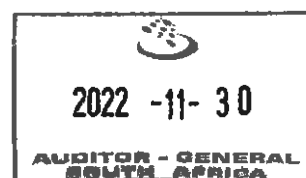
16. 3. 4 Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The municipality recognises actuarial gains and losses in full in the period in which they occur. Actuarial valuations are performed annually.

Past-service costs are recognised immediately in the Statement of Financial Performance.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

17. LEASES

Lease Classification

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

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

17. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, Plant and Equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured 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. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent measurement

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

Operating leases

Operating leases are those leases that do not fall within the scope of the above definition. The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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

17. 2 The Municipality as Lessor

Finance leases

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

Operating leases

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

17. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other 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 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.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

18. BORROWING COSTS

All borrowing costs are treated as an expense in the period in which they are incurred.

19. GRANTS-IN-AID

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

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

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

20. VALUE ADDED TAX

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

21. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). The overspending on a vote constitutes unauthorised expenditure. 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.

22. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

23. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

24. MATERIAL LOSSES

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

25. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

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

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

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



HESSEQUA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

26. RELATED PARTIES

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

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

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

Management personnel include:

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

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

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



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

27. EVENTS AFTER THE REPORTING DATE

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

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

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

28. TRANSFER OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL

Certain functions might be transferred between entities within the same sphere of government or between entities that are part of the same economic entity.

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

28.1 Initial Recognition

The assets and liabilities that qualify for recognition by the acquirer or derecognition by the transferor in a transfer of functions between entities under common control are the result of separate transactions to be accounted for in accordance with their nature and the applicable Standard of GRAP.

If a transfer of functions in effect settles a pre-existing relationship, the acquirer recognises a gain or loss, measured as follows:

- (a) for a pre-existing non-contractual relationship, fair value.
- (b) for a pre-existing contractual relationship, the lesser of (i) and (ii):

(i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items.

(ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

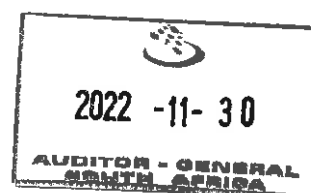
If (ii) is less than (i), the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, a provisional amount is recorded in the financial statements for the items for which the accounting is incomplete. During the measurement period, the provisional amounts recognised are adjusted retrospectively at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the combined entity receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. The measurement period shall not exceed two years from the merger date.

28.2 Subsequent Measurement

At the transfer date, the assets acquired and liabilities assumed shall be classified or designated as necessary in order to apply other Standards of GRAP subsequently. Those classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date.

As of the transfer date, all the assets transferred and liabilities relinquished in a transfer of functions shall be derecognised from the financial statements, at their carrying amounts.



HESSEQUA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

29. TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

Certain functions might be transferred between entities not under common control.

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

29.1 Initial Recognition

Each transfer of functions between entities not under common control is accounted for by applying the acquisition method.

The acquisition method implies recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, and recognising the difference between the assets and liabilities and the consideration transferred to the seller.

The identifiable assets acquired and the liabilities assumed are initially recognised at their acquisition-date fair values.

For each transfer of functions, the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at is measured at:

Fair value

The present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by the Standards of GRAP.

Any difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date is recognised in surplus or deficit.

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, a provisional amount is recorded in the financial statements for the items for which the accounting is incomplete. During the measurement period, the provisional amounts recognised are adjusted retrospectively at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the combined entity receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. The measurement period shall not exceed two years from the merger date.

If a transfer of functions in effect settles a pre-existing relationship, the acquirer recognises a gain or loss, measured as follows:

- (a) for a pre-existing non-contractual relationship, fair value.
- (b) for a pre-existing contractual relationship, the lesser of (i) and (ii):

(i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items.

(ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

29.2 Subsequent Measurement

At the transfer date, the assets acquired and liabilities assumed shall be classified or designated as necessary in order to apply other Standards of GRAP subsequently. Those classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date.

As of the transfer date, all the assets transferred and liabilities relinquished in a transfer of functions shall be derecognised from the financial statements, at their carrying amounts.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

30. ACCOUNTING BY PRINCIPALS AND AGENTS

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

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

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

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

Identification

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

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

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

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

31. SERVICE CONCESSION ARRANGEMENTS: (Municipality as grantor)

Identification

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

Initial recognition

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

The service concession liability is recognised and initially measured at:

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

Subsequent Measurement

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

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

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

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

Other Liabilities, Contingent Liabilities, Contingent Assets and Revenue

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

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

Dividing the arrangement

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

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

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

HESSEQUA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

32. CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

33. NON-CURRENT INVESTMENTS

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

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

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

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

34. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost and fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of Financial Performance.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

35. COMPARATIVE INFORMATION

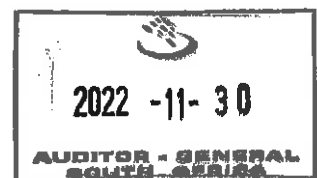
35. 1 Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

35. 2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The mSCOA Charts are updated annually by National Treasury. The municipality has realigned items in the financial statements with the Item Segment of mSCOA V 6.2, on which the municipality was required to transact for periods after 1 July 2018. The result of this process was a reclassification and naming of items in the annual financial statements.



HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

35. COMPARATIVE INFORMATION (continued)

35. 3 Budget information

The annual budget figures have been prepared on an accrual basis in accordance with GRAP 24 and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The annual financial statements and the budget are on the same accounting basis, same classification basis and for the same municipality and same period. Therefore, the amounts are reflected in a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification.

A difference of 5% or more between budgeted and actual amounts is regarded as material.

The approved budget covers the period from 1 July 2021 to 30 June 2022.

36 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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

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

Management judgement is required when recognising and measuring contingent liabilities.

37 CAPITAL COMMITMENTS

Commitments are future expenditure to which the municipality has committed and that will result in the outflow of resources. 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.

Capital commitments are disclosed for:

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

38 TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

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



HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

39 SEGMENT REPORTING

A segment is an activity of an entity:

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

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

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

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

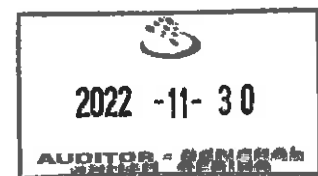
On the first-time adoption of GRAP 18, comparative segment information is not required in terms of the transitional provisions.

40 DISCONTINUED OPERATIONS

Discontinued operation is a component of a municipality that has been disposed of and:

- Discontinued operation is a component of a municipality that has been disposed of and:
 - is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
 - is a controlled entity acquired exclusively with a view to resale.

Where a significant part of the municipality is disposed of, disclosure would be made in the annual financial statements. An asset temporarily taken out of use or change in use, does not qualify as a discontinued operation.



HESSEQUA MUNICIPALITY

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

1. GENERAL INFORMATION

Hessequa Municipality (the municipality) is a local government institution in Riversdale, Western Cape. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Constitution.

2. PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2022

Reconciliation of Carrying Value Description

	Land	Buildings	Infrastructure	Community	Other	Total
CARRYING VALUE AT 1 JULY 2021						
Cost	146 603 695	26 948 405	615 288 320	35 604 289	69 716 561	893 060 140
- Completed Assets	163 487 323	61 587 150	781 113 597	51 673 068	142 178 426	1 200 039 563
- Under Construction	163 487 323	61 575 791	768 665 742	34 016 864	142 152 529	1 169 899 249
	-	11 359	12 446 855	17 656 204	25 898	30 140 314
Accumulated Depreciation:						
- Cost	17 883 728	34 638 745	165 825 277	16 168 789	72 462 874	306 979 423
	17 883 728	34 638 745	165 825 277	16 168 789	72 462 874	306 979 423
	(1 310 057)	1 171 258	7 875 208	17 575 862	25 886	25 338 255
		(11 359)	(8 552 693)	(17 638 804)	(25 898)	(26 225 852)
	8 000	-	(61 408)	-	(585 771)	(649 179)
			49 302	-	330 133	379 435
					26 716 703	26 716 703
Total acquisitions	1 593 298	1 919 620	98 107 386	3 621 989	8 173 682	114 416 965
Acquisitions	1 310 057	978 898	72 234 918	3 609 537	8 173 682	86 308 891
Capital under Construction - Additions	283 231	940 922	26 872 468	12 452	-	28 109 073
Depreciation:						
- Based on cost	2 658	1 321 690	19 449 392	1 656 693	6 165 338	28 596 871
Transfers	2 658	1 321 690	19 449 392	1 656 693	6 165 338	28 596 871
Impairment:						
- Based on cost	10 421 426	-	-	-	-	10 421 426
	135 470 742	28 706 334	694 256 811	37 408 523	98 174 959	994 018 369
CARRYING VALUE AT 30 JUNE 2022						
Cost	163 778 554	64 668 669	879 482 178	55 235 015	176 473 038	1 339 635 454
- Completed Assets	163 485 323	63 725 747	848 715 548	55 202 263	176 473 038	1 307 611 919
- Under Construction	283 231	940 922	30 766 630	32 752	-	32 023 535
Accumulated Depreciation and Impairment:						
- Cost	28 307 812	35 960 335	185 225 367	17 825 482	78 298 079	345 817 066
- Impairment	17 886 366	35 960 335	185 225 367	17 825 492	78 298 079	335 195 659
	10 421 426	-	-	-	-	10 421 426

2022 -11- 30
AUDITOR - GENERAL
SOUTH AFRICA

30 JUNE 2021
 Reconciliation of Carrying Value (Restated)

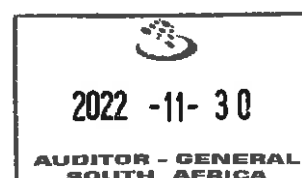
Description	Land	Buildings	Infrastructure	Community	Other	Total
CARRYING VALUE AT 1 JULY 2020						
Cost						
- Completed Assets	146 561 147	28 051 474	567 169 084	21 738 074	63 317 774	826 837 653
- Under construction	163 442 217	61 223 086	715 026 270	36 211 070	132 220 854	1 108 123 607
- Completed assets - Correction of error	-	59 794 254	685 295 480	31 469 836	132 194 958	1 072 218 745
	-	1 428 842	29 730 790	4 721 234	25 896	35 906 762
Accumulated Depreciation:						
- Cost	17 881 070	33 171 622	147 857 186	14 472 986	68 903 080	282 285 954
- Correction of errors	-	33 171 622	147 857 186	14 472 986	68 903 080	282 285 954
Transfer to cost of completed assets due to projects completed	-	1 454 737	28 137 656	(1 761 309)	-	27 831 084
Transfer from cost under construction due to projects completed	-	(1 454 737)	(28 137 656)	1 761 309	-	(27 831 084)
Transfer from Inventory	58 105	-	-	-	-	58 105
Disposals	(13 000)	66 600	(79 836)	(79 506)	(3 372 520)	(3 478 264)
Depreciation on disposals	-	28 785	17 503	5 877	2 319 966	2 372 131
IGRAP 2 adjustment	-	-	-	-	1 147 477	1 147 477
Total acquisitions	-	287 468	88 167 164	15 641 505	12 923 068	94 929 193
Acquisitions	-	260 201	55 313 443	4 367 844	12 923 068	72 864 556
Capital Under Construction - Additions	-	37 255	10 853 721	11 173 661	-	22 064 637
Depreciation:						
- Based on cost as restated	2 658	1 495 906	17 966 594	1 701 680	5 397 923	26 583 763
- Correction of error	-	1 500 088	17 885 594	1 697 080	5 397 923	26 583 343
	-	(4 180)	-	4 600	-	420
Impairment:						
- Based on cost	-	25 948 405	615 288 320	36 604 269	68 716 651	893 080 140
CARRYING VALUE AS AT 30 JUNE 2021						
Cost						
- Completed Assets	163 487 323	61 697 160	761 113 697	61 673 066	142 178 425	1 200 039 563
- Completed assets - Correction of error	163 487 323	61 575 791	768 666 742	34 016 864	142 892 963	1 170 639 703
- Under Construction	-	11 359	12 446 855	17 656 204	(740 454)	(740 454)
	-	-	-	-	25 896	30 140 314
Accumulated Depreciation and Impairment:						
- Cost	17 883 728	34 638 745	165 925 277	16 168 789	72 462 874	306 979 423
- Correction of error	17 883 728	34 642 925	165 925 277	16 164 189	71 961 037	306 497 166
	-	(4 180)	-	4 600	481 637	482 257



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
2.1 Property, Plant and Equipment which is in the process of being constructed or developed:		
Buildings	940 922	11 359
Land	283 231	-
Infrastructure Assets	30 766 630	12 446 856
Community Assets	32 752	17 656 203
Other Assets	-	25 896
Total Property, Plant and Equipment under construction	32 023 535	30 140 313
	2022 R	2021 R
Property, Plant and Equipment per Cash Flow Statement:		
Total additions as per Appendix "B"	114 415 965	94 929 193
Less: Donated assets	(123 000)	(107 630)
	114 292 965	94 821 563
	2022 R	2021 R
2.2 Property, Plant and Equipment that is taking a significantly longer period of time to complete than expected:		
No projects that are currently in progress are experiencing significant delays. No projects have been halted either during the current or previous reporting period.		
	2022 R	2021 R
2.3 Expenditure incurred to repair and maintain Property, Plant and Equipment:		
Employee related costs	67 705 808	63 583 786
Other materials	6 466 323	5 757 055
Contracted Services	13 154 646	11 962 917
Other Expenditure	1 361 535	966 986
Total Repairs and Maintenance	88 688 311	82 272 743
	2022 R	2021 R
2.4 Assets pledged as security:		
No Plant and Equipment has been secured for hire purchases.		
2.5 Net carrying amount of assets subject to finance lease		
The Municipality does not have any assets subject to finance leases.		
2.6 Effect of changes in accounting estimates		
There were no changes in accounting estimates during the year.		
	2022 R	2021 R
2.7 Contractual commitments for acquisition of Property, Plant and Equipment:		
Approved and contracted for:		
Infrastructure	13 475 160	9 687 648
Total	13 475 160	9 687 648
	2022 R	2021 R
This expenditure will be financed from:		
Government Grants and external loans	13 475 160	9 687 648
Total - (including vat)	13 475 160	9 687 648



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
2.8 Land appointed in terms of legislation which the Municipality controls without legal ownership or custodianship (IGRAP 18 par 40)		
Carrying value of land included in the carrying value of Property, Plant and Equipment	1 039 000	2 113 500
Total	<u>1 039 000</u>	<u>2 113 500</u>

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in note 1.2.7. The land of the municipality is under the control of the municipality due to a vesting substantive right over the land. This land represents mainly public open spaces and roads vesting in the municipality.

Key judgements and assumptions applied

- Right to direct access to land, and to restrict/deny the access of others
- Binding arrangement

	2022 R	2021 R
3. INVESTMENT PROPERTY		
3.1 Net Carrying amount at 1 July	74 146 177	73 876 177
Fair Value	74 146 177	73 876 177
Accumulated Impairment Loss	-	-
Additions	-	427 280
Gains/(Losses) arising from changes in fair value	17 487 157	(54 509)
Disposals	(147 000)	(102 752)
Net Carrying amount at 30 June	91 486 333	74 146 177
Fair Value	91 486 333	74 146 177
Accumulated Impairment Loss	-	-

All of the municipality's Investment Property is held under freehold interests and no Investment Property has been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

	2022 R	2021 R Restated
3.2 Revenue from Investment Property		
Revenue derived from the rental of Investment Property	938 197	871 890

	2022 R	2021 R Restatement
3.3 Operating Expenditure incurred on properties:		
Repairs and Maintenance		
Revenue Generating expenses (vat incl.)	72 900	-
Total Repairs and Maintenance	<u>72 900</u>	<u>-</u>

	2022 R	2021 R
3.4 Impairment losses of Investment Property		

The municipality carried out a review of the recoverable amount of all its Investment Property. No impairment losses have been recognised on Investment Property of the municipality at the reporting date. (2021: R0)

3.5 Investment Property carried at Fair Value:

The fair value of investment properties was determined by a qualified valuer based on current market prices. The valuations were performed by Suid-Kaap Waardeerders and the valuer Mr. F.E. de Swardt is a professional valuer.

3.6 Land appointed in terms of legislation which entity controls without legal ownership or custodianship (IGRAP 18 par 40)

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in accounting policy note 1.2.7. The land of the municipality is under the control of the municipality due to a vesting substantive right over the land.

Carrying value of land included in the carrying value of Investment Property	<u>448 850</u>	<u>220 000</u>
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HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
4. INTANGIBLE ASSETS		
4.1 Net Carrying amount at 1 July	234 276	255 821
Cost as previously stated	457 480	457 480
Accumulated Amortisation	(223 204)	(201 659)
Additions	190 120	-
Amortisation	(15 386)	(21 545)
Net Carrying amount at 30 June	409 010	234 276
Cost	647 600	457 480
Accumulated Amortisation	(238 590)	(223 204)
	2022 R	2021 R

No intangible asset were assessed as having an indefinite useful life.

There were no Internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted and no intangible assets are pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

Significant intangible Assets that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 31, are the following:

Website Costs incurred during the last two financial years have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

4.2 Impairment losses of Intangible Assets

No Impairment losses was recognised on Intangible Assets during the year.

	2022 R	2021 R
5. HERITAGE ASSETS		
5.1 Net Carrying amount at 1 July	8 429 495	8 321 875
Cost as previously stated	8 429 495	8 321 875
Accumulated Impairment Loss	-	-
Additions	93 000	107 620
Depreciation	-	-
Net Carrying amount at 30 June	8 522 495	8 429 495
Cost	8 522 495	8 429 495
Accumulated Impairment Loss	-	-
	2022 R	2021 R
Municipal Jewelry	30 000	30 000
Works of Art - Antiques and Collections	1 182 875	1 182 875
Works of Art - Paintings	7 309 620	7 216 620
	8 522 495	8 429 495

All of the municipality's Heritage Assets are held under freehold interests and there are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

No Heritage Assets were pledged as security for liabilities.

There are no Heritage Assets that are used by the municipality for more than one purpose.

5.2 Impairment losses of Heritage Assets

No impairment losses on Heritage Assets have been recognised in Statement of Financial Performance.



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
6. NON-CURRENT RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Sporting and Other Bodies - At amortised cost	-	3 607
	-	3 607
Less: Current portion transferred to Receivables from Non-Exchange Transactions	-	(3 607)
	-	-
Less: Provision for Debt impairment	-	-
Total Non-Current Receivables from Non-Exchange Transactions	-	-

The Long-term Receivables were fully repaid at the end of the year.

7. OPERATING LEASE ARRANGEMENTS

7.1 The Municipality as Lessor

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

	2022 R	2021 R
Operating Lease Asset	747 033	640 595
Current Operating Lease Asset	747 033	640 595
	2022 R	2021 R

Reconciliation

Balance at the beginning of the year	640 595	524 895
Movement during the year	106 438	115 700
Balance at the end of the year	747 033	640 595

	2022 R	2021 R
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At the Reporting Date the following lease receipts were receivable under Operating Leases, at variable periods, for Property, Plant and Equipment, which are receivable as follows:

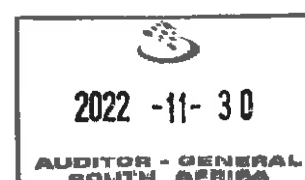
Up to 1 Year	2 422 414	1 847 145
1 to 5 Years	4 638 670	4 577 377
More than 5 Years	2 391 000	1 867 033
Total Operating Lease Arrangements	9 452 084	8 291 555

Leasing arrangements

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 25 years, with an option to extend. The operating lease receipts escalate between 5 and 10% annually. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

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

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase in current year income of R106,438 (2021: R115,700). No restrictions have been imposed on the municipality in terms of the lease agreements.



HESSEQUA LOCAL MUNICIPALITY

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

	2022	2021
	R	R
7.2 The Municipality as Lessee		
Operating Lease Liability	36 688	46 036

	2022	2021
	R	R
Reconciliation		
Balance at the beginning of the year	46 036	79 989
Movement during the year	(9 348)	(33 953)
Balance at the end of the year	<u>36 688</u>	<u>46 036</u>

Leasing arrangements

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period. The operating lease payments escalate between 0 and 8% annually. The municipality did not pay any contingent rent during the year.

	2022	2021
	R	R
At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:		
Up to 1 Year	799 861	765 089
2 to 5 Years	308 670	414 592
More than 5 Years	-	-
Total Operating Lease Arrangements	<u>1 108 531</u>	<u>1 179 681</u>
Per lease agreements	1 298 464	1 219 091
Machinery and Equipment	338 002	370 637
The following payments have been recognised as an expense in the Statement of Financial Performance:	<u>1 636 465</u>	<u>1 589 728</u>

	2022	2021
	R	R
8. INVENTORY		
Consumables	3 129 800	2 286 901
Housing Stock	844 077	844 077
Water	300 455	279 882
Total Inventory	<u>4 274 332</u>	<u>3 410 860</u>

Water inventory

The municipality recognised purification as well as employee cost in respect of non-purchased purified water inventory. The Municipality also has raw, untreated water in stock in the Olive Grove Dam of about 250 000 cubic meters. In its present form, this water stock cannot be sold and needs to be purified and therefore, its fair value has been estimated at the direct cost of the department less cost of chemicals, divided by the kiloliters sold.

Land inventory

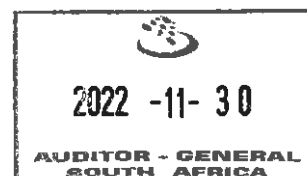
The council has approved a housing pipeline. The identified land on which this future housing development will be constructed, had been transferred from PPE to inventory. A calculation was made per square meter to determine the value of the actual inventory.

General

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. Write downs of Inventory to Net Realizable Value amounted to R0 during the current year (2021: R0).

No Inventories have been pledged as collateral for Liabilities of the municipality.

	2022	2021
	R	R
8.1 Inventories recognised as an expense during the year:		Restated
Consumables	12 326 142	8 520 165
Material and Supplies	13 741 502	11 941 348
Water	6 177 521	6 259 129
Total	<u>32 245 166</u>	<u>26 720 642</u>



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R Reclassified
9. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	20 051 183	20 547 656
Water	13 335 940	11 933 460
Waste Management	8 437 355	7 239 976
Waste Water Management	7 072 226	6 204 703
Other	6 960 916	6 976 350
Prepayments	2 886 993	2 607 959
Deposits	270 502	264 747
Other Sundries	560 490	450 213
Other - Employees	150 219	50 256
Total: Receivables from exchange transactions (before provision)	59 725 824	56 275 320
Less: Provision for Debt Impairment	(27 732 127)	(25 232 248)
Total: Receivables from exchange transactions (after provision)	31 993 698	31 043 072

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

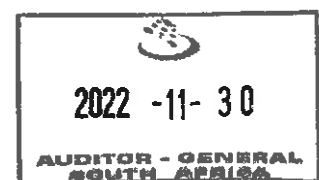
The fair value of receivables approximate their carrying value.

	2022 R	2021 R Reclassified
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	16 056 435	14 634 029
31 - 60 Days	1 420 813	1 590 483
61 - 90 Days	608 889	639 076
+ 90 Days	1 965 045	3 684 068
Total	20 051 183	20 547 656

	2022 R	2021 R Reclassified
<u>(Water): Ageing</u>		
Current (0 - 30 days)	5 125 533	4 697 229
31 - 60 Days	1 116 780	1 082 383
61 - 90 Days	677 325	574 778
+ 90 Days	6 416 302	5 579 071
Total	13 335 940	11 933 460

	2022 R	2021 R Reclassified
<u>(Waste Management): Ageing</u>		
Current (0 - 30 days)	2 708 403	2 376 089
31 - 60 Days	732 686	675 098
61 - 90 Days	432 931	401 915
+ 90 Days	4 563 335	3 786 874
Total	8 437 355	7 239 976

	2022 R	2021 R Reclassified
<u>(Waste Water Management): Ageing</u>		
Current (0 - 30 days)	2 232 592	2 090 524
31 - 60 Days	621 035	609 538
61 - 90 Days	369 887	342 891
+ 90 Days	3 848 713	3 161 750
Total	7 072 226	6 204 703



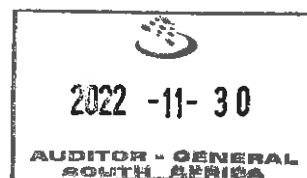
HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
<u>(Other): Ageing</u>		
Current (0 - 30 days)	831 608	1 196 613
31 - 60 Days	468 135	445 430
61 - 90 Days	378 560	279 053
+ 90 Days	5 282 613	5 055 254
Total	6 960 916	6 976 350
<u>Prepayments</u>		
Current (0 - 30 days)	2 886 993	2 607 959
Total	2 886 993	2 607 959
<u>Deposits</u>		
Current (0 - 30 days)	270 502	264 747
Total	270 502	264 747
<u>Other Sundry transactions</u>		
Current (0 - 30 days)	560 490	450 213
Total	560 490	450 213
<u>Other - Employees</u>		
Current (0 - 30 days)	150 219	50 256
Total	150 219	50 256
<u>(Total): Ageing</u>		
Current (0 - 30 days)	30 822 775	28 367 658
31 - 60 Days	4 359 449	4 402 932
61 - 90 Days	2 467 592	2 237 712
+ 90 Days	22 075 009	21 267 017
Total	59 725 824	56 275 320

Summary of Consumer Debtors by Customer Classification

	Residential	Industrial/ Commercial	National and Provincial Government
30 June 2022			
Current (0 - 30 days)	20 685 758	5 366 381	922 433
31 - 60 Days	3 264 911	967 274	127 263
61 - 90 Days	1 820 597	540 661	106 333
+ 90 Days	20 307 415	1 654 279	114 316
Sub-total	46 068 680	8 528 595	1 270 345
Less: Provision for Debt Impairment	(23 399 320)	(4 332 806)	
Total debtors by customer classification	22 669 360	4 195 789	1 270 345



HESSEQUA LOCAL MUNICIPALITY

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

Summary of Consumer Debtors by Customer Classification

	Reclassified		
	Residential / Other	Industrial/ Commercial	National and Provincial Government
30 June 2021			
Current (0 - 30 days)	19 348 888	4 855 722	789 874
31 - 60 Days	3 178 672	1 142 865	81 396
61 - 90 Days	1 763 773	487 378	6 559
+ 90 Days	19 321 474	1 811 709	133 835
Sub-total	43 612 807	8 277 674	1 011 664
Less: Provision for Debt Impairment	(21 214 450)	(4 017 798)	
Total debtors by customer classification	22 398 357	4 259 876	1 011 664

Reconciliation of Provision for Debt Impairment

	2022 R	2021 R Reclassified
Balance at beginning of year	25 232 248	24 935 798
Contribution to provision	3 789 950	575 065
Reversal of provision	(1 290 071)	(278 615)
Balance at end of year	27 732 127	25 232 248

The total amount of this provision is R27,732,127 and consists of:

	2022 R	2021 R
Services	24 217 729	21 904 803
Other Debtors	3 514 398	3 327 445
Total Provision for Debt Impairment on Receivables from exchange transactions	27 732 127	25 232 248

Ageing of amounts past due but not impaired:

	2022 R	2021 R
1 month past due	1 170 923	2 675 414
61 - 90 Days		
+90 Days		
	1 170 923	2 675 414

Consumer Debtors are billed monthly, normally on the 29/30th of each month. No interest is charged on trade receivables until the 1st working day of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. A Credit Control Debt Collection and Indigent By-law has been approved by council to ensure recovery of Consumer Debtors. Exchange receivables are not secured.

The municipality receives applications for water and electricity connections that it processes. Deposits are required to be paid for all water and electricity accounts opened, except for registered indigents.

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

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

The methodology followed in the calculation of the provision for impairment of consumer debtors was as follows:

- The highest 50 debtors were selected based on outstanding debt per unit number. These debtors were evaluated individually by management.
- High risk accounts were provided for at 100% - Debtors with indigent status,
- Low risk accounts provided for at 0% - State debtors, employee - and departmental accounts,
- All remaining debtors provided for at a percentage of non-payment for outstanding debt.

The average credit period for government grants and subsidies is dependant on the Government Department Involved and the nature of claims.



HESSEQUA LOCAL MUNICIPALITY

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

10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	2022 R	2021 R Reclassified
Taxes - Rates	14 900 378	14 179 597
Fines	73 051 261	72 318 381
Availability Charges	7 015 144	5 437 443
Less: Provision for Debt Impairment	94 966 783 (70 155 255)	91 935 421 (69 802 986)
Total Receivables from non-exchange transactions	24 811 527	22 132 435

The fair value of other receivables approximate their carrying value.

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

<u>(Rates): Ageing</u>	2022 R	2021 R
Current (0 - 30 days)	7 504 021	6 879 898
31 - 60 Days	1 481 045	1 250 985
61 - 90 Days	828 713	649 376
+ 90 Days	5 086 599	5 399 328
Total	14 900 378	14 179 597

<u>Availability Charge: Ageing</u>	2022 R	2021 R Reclassified
Current (0 - 30 days)	708 157	558 794
31 - 60 Days	245 686	198 212
61 - 90 Days	157 570	109 341
+ 90 Days	5 903 730	4 571 096
Total	7 015 144	5 437 443

Summary of Debtors (Rates & Availability Charges) by Customer Classification

	Residential/ Other	Industrial/ Commercial	National and Provincial Government
30 June 2022			
Current (0 - 30 days)	7 748 842	458 763	4 573
31 - 60 Days	1 627 989	98 527	2 215
61 - 90 Days	899 626	51 992	34 665
+ 90 Days	10 357 091	204 257	428 981
Sub-total	20 633 549	811 539	470 434
Less: Provision for Debt Impairment	(8 677 365)	(341 290)	
Total debtors by customer classification	11 956 183	470 249	470 434

Summary of Debtors (Rates & Availability Charges) by Customer Classification

	Residential/ Other	Industrial/ Commercial	National and Provincial Government
30 June 2021			
Current (0 - 30 days)	7 065 216	373 478	
31 - 60 Days	1 379 529	69 877	
61 - 90 Days	729 518	29 199	
+ 90 Days	9 185 614	176 052	608 757
Sub-total	18 359 877	648 406	608 757
Less: Provision for Debt Impairment	(7 348 871)	(238 612)	
Total debtors by customer classification	11 011 006	409 794	608 757



HESSEQUA LOCAL MUNICIPALITY

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

	2022	2021
	R	R
		Reclassified
<u>Reconciliation of Provision for Debt Impairment</u>		
Balance at beginning of year:	69 802 986	68 016 594
Contribution to provision	1 431 172	2 593 447
Reversal of provision	(1 078 903)	(807 055)
Balance at end of year	<u>70 155 255</u>	<u>69 802 986</u>

	2022	2021
	R	R
The total amount of this provision is R70,155,255 and consists of:		
Taxes	5 476 879	4 994 036
Availability Charges	3 541 776	2 593 447
Fines	61 136 600	62 215 503
Total Provision for Debt Impairment on: Trade Receivables from non-exchange transactions	<u>70 155 255</u>	<u>69 802 986</u>

	2022	2021
	R	R
<u>Ageing of amounts past due but not impaired:</u>		
1 month past due	1 726 731	1 449 207
61 - 90 Days	986 283	758 717
90 Days +	1 971 874	2 382 941
	<u>4 684 688</u>	<u>4 590 864</u>

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

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

The outstanding fine receivable balance at year end is reduced to its recoverable amount by recognising a provision for impairment against the receivable raised. This is considered to be a subsequent event. The provision for impairment is based on current and past collection rates applicable to fines.

	2022	2021
	R	R
11. BANK ACCOUNTS		
11.1 Cash and Cash Equivalents		
Current Accounts	2 504 799	3 079 183
Call Deposits and Investments	360 105 001	345 523 611
Cash On-hand	66 460	66 460
Total Cash and Cash Equivalents - Assets	<u>362 676 261</u>	<u>348 669 253</u>

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R7 489 305 are held to fund the Unspent Conditional Grants (2021: R15 131 071).

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The municipality limits its counterparty exposures from its cash and cash equivalents by only dealing with well-established financial institutions of high credit standing.

The fair value of Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

	2022	2021
	R	R
The municipality has the following bank accounts:		
<u>Current Accounts</u>		
FNB - Account Number 53571024174 (Primary Bank Account):	2 469 316	3 026 433
FNB - Account Number 62225917543 (Secondary Account):	35 483	52 750
	<u>2 504 799</u>	<u>3 079 183</u>



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
<u>Cash Deposits and Investments</u>		
ABSA Bank Limited	10 434 762	20 327 568
FNB	51 702 783	25 909 295
Standard Bank	143 693 220	142 002 199
Nedbank	154 274 236	157 284 549
	<u>360 105 001</u>	<u>345 523 611</u>

	2022 R	2021 R
<u>Allocations of Investments</u>		
• Repayment of Long-term Liabilities as set out in Note 12	21 775 309	23 376 667
• Attributable to Unspent Conditional Grants as set out in Note 18	7 489 305	15 131 070
• Attributable to Housing Reserve as set out in Note 20	543 103	543 103
• Attributable to Trust Funds	2 400 408	2 329 671
• Provision made for 40% (2021: 40%) of provision for rehabilitation of land-fill sites - Note 13	25 808 982	14 399 978
• Available for Operational Account	302 087 895	289 743 122
	<u>360 105 001</u>	<u>345 523 611</u>

Details of current accounts are as follows:

	2022 R	2021 R
<u>FNB - Account Number 53571024174 (Primary Bank Account):</u>		
Cash book balance at beginning of year	3 026 433	4 859 713
Cash book balance at end of year	<u>2 469 316</u>	<u>3 026 433</u>

Bank statement balance at beginning of year	2 822 957	4 809 949
Bank statement balance at end of year	<u>2 378 918</u>	<u>2 822 957</u>

	2022 R	2021 R
<u>FNB - Account Number 62225917543 (Secondary Account):</u>		
Cash book balance at beginning of year	52 750	38 594
Cash book balance at end of year	<u>35 483</u>	<u>52 750</u>

Bank statement balance at beginning of year	52 750	38 594
Bank statement balance at end of year	<u>35 483</u>	<u>52 750</u>

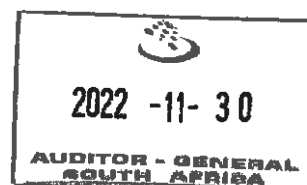
	2022 R	2021 R
12. LONG-TERM BORROWINGS		
Annuity Loans - At amortised cost	149 863 209	173 231 414
	<u>149 863 209</u>	<u>173 231 414</u>
Less: Current Portion transferred to Current Liabilities	(21 775 309)	(23 376 667)
Annuity Loans - At amortised cost	<u>(21 775 309)</u>	<u>(23 376 667)</u>
Total Long-term Borrowings	<u>128 087 900</u>	<u>149 854 747</u>

	2022 R	2021 R
12.1 The obligations under annuity loans are scheduled below:		
		Minimum payments
Amounts payable under annuity loans:		
Payable within one year	35 135 594	38 873 497
Payable within two to five years	111 293 889	125 003 605
Payable after five years	58 975 187	80 050 291
	<u>205 404 670</u>	<u>243 927 393</u>
Less: Future finance obligations	(55 541 461)	(70 695 978)
Present value of annuity loans obligations	<u>149 863 209</u>	<u>173 231 415</u>

Annuity Loans are repaid over periods not exceeding 10 years and at interest rates varying from 7.78% tot 11.56% per annum. Annuity loans are not secured.

Refer to Appendix "A" for more detail on Long-term Liabilities. Long-term Liabilities have been utilized in accordance with the MFMA. Current portion of long-term liabilities is fully invested in ringfenced financial instruments. See note 11 for more detail.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R Restated
13. NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	64 522 455	33 878 460
Total Non-current Provisions	64 522 455	33 878 460
	2022 R	2021 R
13.1 Landfill Sites		
Balance 1 July	33 878 460	32 390 934
Correction of Error - Note 44		(2 121 484)
Interest charged due to the unwinding of discount	3 927 292	3 182 730
IGRAP2 adjustment	26 716 703	-
Increase / (Decrease) due to changes in the amount of the outflow of resources embodying economic benefits and a change in the discount rate		426 280
Total provision 30 June	64 522 455	33 878 460
Less: Transfer of Current Portion to Current Provisions		
Balance 30 June	64 522 455	33 878 460

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

	Estimated decommission date	Area (m ²)	Price per m ²	Calculated total cost R
Albertina	2030/06/30	24 800	577,72	14 327 341
Droëkloof	2041/06/30	42 525	553,75	23 548 241
Gouritsmond	2029/06/30	12 480	693,99	8 681 021
Melhoufontein	2043/06/30	79 858	471,89	37 683 925
Slangrivier	2027/06/30	11 655	552,57	6 440 176
Steynskloof	2043/06/30	70 050	506,14	35 455 441
Witsand (Uitsig)	2061/06/30	12 690	856,49	8 330 812
Jongensfontein	2043/06/30	4 760	826,82	3 935 667
		258 818		138 382 624

The provision for rehabilitation of the land-fill sites is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the land-fill sites. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the statement of financial performance.

In terms of the licencing of the landfill refuse sites, the municipality will incur licencing and rehabilitation costs to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of land-fill sites as well as the remaining useful life of each specific land-fill site.
- Interest rates linked to the Consumer Price Index was used to calculate the effect of time value of money.



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
14. NON-CURRENT EMPLOYEE BENEFITS		
Provision for Post Retirement Health Care Benefits	58 588 000	56 969 000
Provision for Ex-Gratia Pension Benefits	92 000	86 000
Provision for Long Service Awards	10 017 000	9 960 000
Total Non-current Employee Benefits	68 697 000	67 015 000
	2022 R	2021 R
<u>Post Retirement Health Care Benefits</u>		
Balance 1 July	59 768 000	51 233 000
Contribution for the year	7 787 000	6 348 000
Expenditure for the year	(2 637 872)	(2 695 159)
Actuarial Loss/(Gain)	(3 580 128)	4 882 159
Total provision 30 June	61 357 000	59 768 000
Less: Transfer of Current Portion to Current Provisions - Note 16	(2 789 000)	(2 799 000)
Balance 30 June	58 588 000	56 969 000
	2022 R	2021 R
<u>Ex-Gratia Pensions</u>		
Balance 1 July	90 000	107 209
Contribution for the year	7 000	8 052
Expenditure for the year	(6 415)	(12 572)
Actuarial Loss/(Gain)	2 415	(12 689)
Total provision 30 June	93 000	90 000
Less: Transfer of Current Portion to Current Provisions - Note 16	(1 000)	(4 000)
Balance 30 June	92 000	86 000
	2022 R	2021 R
<u>Long Service Awards</u>		
Balance 1 July	10 638 000	8 957 000
Contribution for the year	1 964 000	1 417 000
Expenditure for the year	(755 594)	(744 881)
Actuarial Loss/(Gain)	(79 406)	1 008 881
Total provision 30 June	11 767 000	10 638 000
Less: Transfer of Current Portion to Current Provisions - Note 16	(1 750 000)	(678 000)
Balance 30 June	10 017 000	9 960 000



HESSEQUA LOCAL MUNICIPALITY

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

		2022	2021
14.1	Provision for Post Retirement Health Care Benefits	R	R
	The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	In-service (employee) members	142	147
	Continuation members (e.g. Retirees, widows, orphans)	53	56
	Total Members	195	203
		2022	2021
		R	R
	The liability in respect of past service has been estimated to be as follows:		
	In-service members	31 938 000	28 971 000
	Continuation members	29 419 000	30 797 000
	Total Liability	61 357 000	59 768 000
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2020	2019
		R	R
	In-service members	19 959 000	24 009 000
	Continuation members	31 274 000	26 553 000
	Total Liability	51 233 000	50 562 000
	The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
	Bonitas		
	Discovery		
	Hosmed		
	LA Health		
	Key Health, and		
	SAMWU Medical Aid		
	The Current-service Cost for the ensuing year is estimated to be R1,592,000, whereas the Interest Cost for the next year is estimated to be R7,403,000.		
	Key actuarial assumptions used:	2022	2021
		%	%
	i) Rate of interest		
	Discount rate	12,18%	10,69%
	Health Care Cost Inflation Rate	8,99%	7,78%
	Net Effective Discount Rate	2,92%	2,69%
	ii) Mortality rates		
	The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.		
	iii) Normal retirement age		
	The normal retirement age for employees of the municipality is 63 years.		
	iv) Expected rate of salary increases		
	2021/2022 - CPI + 1,25%		
	The three-year Salary and Wage Collective Agreement ended on 30 June 2024.		
	The amounts recognised in the Statement of Financial Position are as follows:	2022	2021
		R	R
	Present value of fund obligations	61 357 000	59 768 000
		61 357 000	59 768 000
	Unrecognised past service cost	-	-
	Unrecognised actuarial gains/(losses)	-	-
	Net liability	61 357 000	59 768 000
		2022	2021
		R	R
	Reconciliation of present value of fund obligation:		
	Present value of fund obligation at the beginning of the year	59 768 000	51 233 000
	Total expenses	5 149 128	3 652 841
	Current service cost	1 467 000	1 265 000
	Interest Cost	6 320 000	5 083 000
	Benefits paid	(2 637 872)	(2 695 159)
	Actuarial (gains)/losses	(3 560 128)	4 882 159
	Present value of fund obligation at the end of the year	61 357 000	59 768 000



HESSEQUA LOCAL MUNICIPALITY

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

Sensitivity Analysis on the Accrued Liability on 30 June 2022

	2022 R	2021 R
Total accrued liability (R)		
Assumption		
Central Assumptions	61 357 000	61 357 000

The effect of movements in the assumptions are as follows:

Assumption	Change	Continuation members liability (R)	Total liability (R)	% change
Health care inflation	1%	69 616 000	69 616 000	13,46%
Health care inflation	-1%	54 482 000	54 482 000	-11,20%
Post-retirement mortality rate	20%	56 966 000	56 966 000	-7,16%
Post-retirement mortality rate	-20%	66 763 000	66 763 000	8,81%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2022

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Central Assumptions	1 592 000	7 403 000	8 995 000

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Health care Inflation	+1%	8 427 000	1 899 000	10 326 000	15%
Health care Inflation	-1%	6 551 000	1 344 000	7 895 000	-12%
Post-retirement mortality	+20%	6 861 000	1 469 000	8 330 000	-7%
Post-retirement mortality	-20%	8 070 000	1 741 000	9 811 000	9%

Experience adjustments were calculated as follows:

	2022 Rm	2021 Rm
Liabilities: (Gain) / loss	(3 560)	4 882

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

	2020 Rm	2019 Rm	2018 Rm
Liabilities: (Gain) / loss	(3 280)	(8 125)	(6 135)

14.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 549 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R914 000 whereas the Interest Cost for the next year is estimated to be R1 311 000.

Key actuarial assumptions used:

i) Rate of interest

	2022 %	2021 %
Discount rate	11,00%	10,69%
General Salary Inflation (long-term)	8,38%	7,78%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2,42%	2,69%

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

	2022 R	2021 R
Present value of fund obligations	11 767 000	10 638 000
Unrecognised past service cost	11 767 000	10 638 000
Unrecognised actuarial gains/(losses)	-	-
Net liability	11 767 000	10 638 000



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	10 638 000	8 957 000
Total expenses	1 208 406	672 119
Current service cost	830 000	786 000
Interest Cost	1 134 000	651 000
Benefits Paid	(755 594)	(744 881)
Actuarial (gains)/losses	(79 406)	1 008 881
Present value of fund obligation at the end of the year	11 767 000	10 638 000
	2022 R	2021 R

Sensitivity Analysis on the Accrued Liability on 30 June 2022

	Change	Liability (Rm)	% change
Assumption		11 767 000	
Central assumptions		12 570 000	6,82%
General salary inflation	1%	11 041 000	-6,17%
General salary inflation	-1%	11 231 000	-4,56%
Withdrawal rates	20%	12 362 000	5,06%
Withdrawal rates	-20%		

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2022

	Current Service Cost (R)	Interest Cost (R)	Total (R)
Assumption			
Central Assumptions	914 000	1 311 000	2 225 000

The effect of movements in the assumptions are as follows:

	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Assumption					
Health care inflation	+1%	991 000	1 404 000	2 395 000	8%
Health care inflation	-1%	845 000	1 228 000	2 073 000	-7%
Withdrawal rates	20%	849 000	1 249 000	2 098 000	-6%
Withdrawal rates	-20%	989 000	1 381 000	2 370 000	7%

	2022 R	2021 R
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	(79 406)	1 008 881

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

	2020 Rm	2019 Rm	2018 Rm
Liabilities: (Gain) / loss	(1 967 833)	(526 190)	403 162

HESSEQUA LOCAL MUNICIPALITY

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

14.3 Retirement funds

2022
R

2021
R

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

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

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

LA RETIREMENT FUND (PREVIOUSLY CAPE JOINT PENSION FUND)

The last statutory valuation was performed as at 30 June 2019.

The actuarial valuation report at 30 June 2017 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R1,911,937,000.00 (30 June 2016 : R1,960,970,000.00), net investment reserve of R0 (30 June 2016 : R0) and with a funding level of 100% (2016 : 100%).

CONSOLIDATED RETIREMENT FUND (PREVIOUSLY CAPE JOINT RETIREMENT FUND)

The last statutory valuation performed as at 30 June 2016 revealed that the assets of the fund amounted to R20,075,000,000 (30 June 2015: R18,322,177,000), with funding levels of 118.0% and 100% (30 June 2015 112.1% and 100%) for the Pensions Account and the Share Account respectively. The Preservation Pension Account showed a surplus of R0 and was 100% funded for both 2016 & 2015. The contribution rate paid by the members (7,50%/9%) and the municipalities (19,50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

DEFINED CONTRIBUTION FUNDS

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

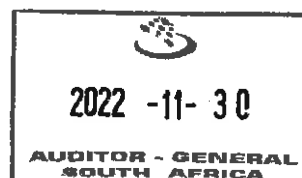
15. CONSUMER DEPOSITS

2022
R

2021
R

Electricity & Water	9 250 498	8 328 850
Rental Properties	465 234	547 897
Building Plans	1 816 502	1 712 151
Posters	43 404	38 916
Total Consumer Deposits	11 575 638	10 627 813

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



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
16. CURRENT EMPLOYEE BENEFITS		
Performance Bonuses	1 037 041	1 132 319
Staff Bonuses	5 276 291	4 788 437
Staff Leave	11 805 716	11 319 922
Current Portion of Non-Current Provisions	4 520 000	3 481 030
Current Portion of Post Retirement Benefits - Note 14	2 769 000	2 799 000
Current Portion of Ex-Gratia Pension Provisions - Note 14	1 000	4 000
Current Portion of Long-Service Provisions - Note 14	1 750 000	678 000
Total Provisions	22 639 048	20 691 678

The movement in current provisions are reconciled as follows:

	2022 R	2021 R
16.1 <u>Performance Bonuses</u>		
Balance at beginning of year	1 102 319	1 005 336
Contribution to current portion	1 037 041	1 102 319
Expenditure incurred	(1 102 319)	(1 005 336)
Balance at end of year	1 037 041	1 102 319

Performance bonuses are paid to the Municipal Manager and Directors after an evaluation of performance by the council.

	2022 R	2021 R
16.2 <u>Staff Bonuses</u>		
Balance at beginning of year	4 788 437	4 478 716
Contribution to current portion	487 854	309 722
Expenditure incurred	-	-
Balance at end of year	5 276 291	4 788 437

Bonuses are paid to all municipal staff, excluding section 57 employees. The balance at year end represents the portion of the bonus that has already vested for the current salary cycle. There is no possibility of reimbursement.

	2022 R	2021 R
16.3 <u>Staff Leave</u>		
Balance at beginning of year	11 319 922	10 272 358
Contribution to current portion	1 114 007	1 823 909
Expenditure incurred	(628 214)	(776 344)
Balance at end of year	11 805 716	11 319 922

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leaves. There is no possibility of reimbursement.



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R Reclassified
17. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	30 291 535	37 356 461
Advance Payments	4 950 750	4 334 179
Other Payables - see detail below	11 381 286	9 526 074
Retentions	5 635 281	6 122 356
Total Trade Payables	52 458 852	57 339 070
Summary Other payables		Reclassified
Syntel - transaction fee on outstanding traffic fines	4 486 674	2 894 377
Other	58 878	59 573
Unallocated bank deposits	6 835 534	6 572 123
Total Trade Payables	11 381 286	9 526 074

Payables are recognised net of any discounts.

Payables are paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value. The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the Municipality and other parties.

All payables are unsecured.

	2022 R	2021 R
18. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Unspent Grants	7 489 305	15 131 070
National Government Grants	123 057	3 448 097
Provincial Government Grants	6 363 947	10 327 899
District Municipality	-	277 929
Other Sources	1 002 301	1 079 145
Total Unspent Grants and Receipts	7 489 305	15 131 070

See appendix "E" for reconciliation of grants from all spheres of Government and Other grant providers
The Unspent Grants are cash-backed by short-term deposits.

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

No grants were withheld.

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



HESSEQUA LOCAL MUNICIPALITY

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

	2022	2021
	R	R
19. TAXES		Reclassified
19.1 VAT Payable	(6 546 926)	(5 992 258)
<u>Less:</u> Contribution to Provision for Doubtful Debt Impairment	3 551 067	3 109 565
Total VAT Payable	(2 995 859)	(2 882 693)
	2022	2021
	R	R
19.2 VAT Receivable	851 766	5 079 144
VAT input in Suspense	422 865	179 214
Total VAT Receivable	1 274 631	5 258 357
19.3 Net VAT (Payable)/Receivable	(1 721 228)	2 375 664

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

	2022	2021
	R	R
20. NET ASSET RESERVES		
RESERVES	543 103	543 103
Housing Development Fund	543 103	543 103
Total Net Asset Reserve and Liabilities	543 103	543 103

20.1 The Housing Development Fund was established in terms of section 15 (5) and 16 of the Housing Act, Act 107 of 1997. The proceeds in this fund are utilised for housing development projects approved by the MEC. No separate unappropriated surplus account for housing transactions was kept.

	2022	2021
	R	R
21. PROPERTY RATES		
<u>Actual</u>		
Rateable Land and Buildings	120 929 786	110 881 157
Business and Commercial Property	4 458 091	4 147 386
Farm Properties	16 572 180	11 125 818
Industrial Property	1 066 410	878 659
Mining Properties	-	30 687
Privately Owned Towns Serviced by the Owner	127 710	159 678
Protected Areas	-	(298)
Public Benefit Organisations	1 718	1 342
Public Service Infrastructure Properties	1 743 819	1 785 138
Residential Properties	98 120 642	90 660 076
State-owned Properties	836 217	2 092 671
<u>Less:</u> Revenue Forgone	(8 079 879)	(9 313 136)
Total Property Rates	112 849 907	101 568 021



HESSEQUA LOCAL MUNICIPALITY

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

PROPERTY RATES (Continued)	2022 R	2021 R
<u>Valuations 1 July 2021</u>		
	Total Valuation	Total Valuation
Domestic	14 076 139 100	9 629 228 352
Commercial	818 605 000	555 879 000
Church/Public Benefit	187 631 500	120 103 800
Agricultural/Rural	10 371 799 000	4 022 572 778
State	357 634 000	238 914 480
Municipal	438 946 500	301 708 300
Total Property Valuations	28 250 754 100	14 888 404 705

Assessment Rates are levied on the market value of properties. The municipality implemented a new valuation roll on 1 July 2021. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions.

Rates are levied annually on property owners and are payable in 12 monthly installments. Interest is levied on outstanding rates amounts.

A uniform general residential rate of 0.006450 c/R (2020/2021: 0.008871 c/R) is applied to property valuations to determine assessment rates. The current property valuations were done according to the Local Government: Municipal Property Rates Act 6 of 2004, with implementation date 1 July 2021.

Basic Rate

Residential	0.006450c/R	0.008871c/R
Vacant Land	0.012900c/R	0.017741c/R
Agriculture	0.001290c/R	0.002218c/R
State	0.006611c/R	0.017072c/R
Business	0.006611c/R	0.009079c/R

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

Residential - The first R50 000 on the valuation is exempted.

Rebates of 10% - 40% were applied to pensioners, based on the annual income of the ratepayer. A discount of 10% was granted to agricultural properties used for residential and/or business purposes.

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

21.1 Fines, Penalties and Forfeits	2022 R	2021 R
Traffic Fines	60 100 578	54 740 628
Overdue Book Fines	31 626	13 694
Forfeits	1 788 159	930 655
Other	11 300	5 202
	61 931 662	55 690 180

21.2 Availability Charges	2022 R	2021 R
	10 448 531	10 681 702
Electricity	5 468 146	5 565 051
Water	2 269 728	2 364 258
Sewerage	2 708 657	2 752 394
Total Availability Charges	10 446 531	10 681 702



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
22 GOVERNMENT GRANTS AND SUBSIDIES		
Government Grants and Subsidies - Operating	64 890 324	62 897 875
National Government:	54 932 082	53 407 352
Equitable Share	22,1 48 843 000	47 294 000
Equitable Share - conditional	22,1 2 584 725	2 895 832
Energy Efficiency and Demand Side Management Grants	22,22 91 317	-
Expanded Public Works Programme Integrated Grant	22,3 1 154 000	1 158 300
Local Government Financial Management Grant	22,2 1 550 030	1 550 000
Municipal Disaster Grant	-	-
Municipal Infrastructure Grant	22,4 709 050	509 550
Provincial Government:	9 836 826	9 590 323
Community Development Workers	22,10 38 000	38 000
Financial Management	-	-
Human Settlement Development - Transfer Fees	22,6 120 536	28 420
Library Municipal Replacement Funding	22,7 4 827 239	8 949 651
Library Conditional Grant	22,7 3 898 000	-
Local Government Public Employment Support Grant	22,15 224 858	-
Municipal Capacity Building Grant	22,8 457 357	454 251
Municipal Service Delivery and Capacity Building	22,13 150 836	-
Subsidy - Proclaimed Roads	22,14 120 000	120 000
District Municipality	121 406	-
District Municipality: Safe Plan	22,25 120 000	-
Vermaaklikheid Land Reform	22,9 1 406	-
Government Grants and Subsidies - Capital	73 789 655	20 560 278
National Government:	18 618 948	17 436 458
Energy Efficiency and Demand Side Management Grants	22,22 4 316 534	3 600 000
Integrated National Electrification Programme Grant	22,5 74 992	1 925 008
Equitable Share - Conditional Grant	22,1 755 473	-
Municipal Infrastructure Grant	22,4 13 471 950	11 911 450
Provincial Government:	54 894 184	3 094 650
Department Economic Development & Tourism - SMME Booster Fund	22,11 1 170 353	-
Municipal Sport Facilities	22,23 600 000	-
Libraries Municipal Replacement Funding	22,7 771 618	108 900
Human Settlements Development Grant Beneficiaries	22,21,1 46 337 963	-
Human Settlements Development Acceleration of Housing	22,21 6 014 250	2 985 750
District Municipality:	276 523	29 170
Alternative Electricity	22,19 273 533	-
Housing Consumer Education	22,12 2 990	-
Vermaaklikheid Land Reform	-	29 170
Total Government Grants and Subsidies	138 679 979	83 557 953
	2022	2021
	R	R
Included in above are the following grants and subsidies received:		
	48 843 000	47 294 000
<u>Unconditional</u>	48 843 000	47 294 000
	89 836 979	36 263 953
<u>Conditional</u>	89 836 979	36 263 953
Total Government Grants and Subsidies	138 679 979	83 557 953

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



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
22.1 <u>Equitable Share</u>		
Opening balance	3 340 198	-
Grants received	48 843 000	53 530 000
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(48 843 000)	(50 189 802)
Condition met - Operating - Conditional	(2 584 725)	-
Conditions met - Capital	(755 473)	-
Conditions still to be met	0	3 340 198

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

Level of Income:

- R0.00 - R3 820p.m.

- R3 821 - R4 200p.m.

Subsidy

- free basic services plus 100% rebate on rates
- 6kl free water
- 50kwh free electricity
- 100% rebate on rates up to a market value of R800 000
- 50% free basic services plus 50% rebate on rates
- 6kl free water
- 50kwh free electricity
- 50% rebate on rates up to a market value of R800 000

	2022 R	2021 R
22.2 <u>Local Government Financial Management Grant (FMG)</u>		
Opening balance	-	-
Grants received	1 550 000	1 550 000
Conditions met - Operating	(1 550 000)	(1 550 000)
Conditions still to be met	-	-

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

	2022 R	2021 R
22.3 <u>Extended Public Works Programme</u>		
Opening balance	-	-
Grants received	1 154 000	1 158 000
Conditions met - Operating	(1 154 000)	(1 158 000)
Conditions still to be met	-	-

The EPWP is to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

	2022 R	2021 R
22.4 <u>Municipal Infrastructure Grant (MIG)</u>		
Opening balance	-	-
Grants received	14 181 000	12 421 000
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(709 050)	(509 550)
Conditions met - Capital	(13 471 950)	(11 911 450)
Conditions still to be met	-	-

The Municipal Infrastructure Grant to be used to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

	2022 R	2021 R
22.5 <u>Integrated National Electrification Grant</u>		
Opening balance	74 992	-
Grants received	-	2 000 000
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	(74 992)	(1 925 008)
Conditions still to be met	-	74 992

The Integrated National Electrification Programme Grant to be used to reduce backlogs through funding of household connections and bulk infrastructure to ensure constant supply of electricity.



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
22.6 <u>Human Settlement Development - Transfer Fees</u>		
Opening balance	3 385 637	3 414 057
Conditions met - Operating	(120 536)	(28 420)
Conditions still to be met	3 265 102	3 385 637
This grant from the Department of Local Government and Housing is used for transfer costs.		
	2022 R	2021 R
22.7 <u>Library Grants</u>		
Opening balance	218 149	716 700
Grants received - Conditional Grant	3 898 000	-
Grants received - Replacement Funding	5 975 000	8 560 000
Conditions met - Operating - Conditional Grant	(3 898 000)	-
Conditions met - Operating - Replacement Funding	(4 827 239)	(8 949 651)
Conditions met - Capital - Replacement Funding	(771 618)	(108 900)
Conditions still to be met	594 292	218 149
This grant is utilised to fund the expenses of the library service		
	2022 R	2021 R
22.8 <u>Municipal Capacity Building Grant</u>		
Opening balance	109 863	38 475
Grants received	347 495	525 639
Repaid to Provincial Government	-	-
Conditions met - Operating	(457 357)	-454 251
Conditions met - Capital	-	-
Conditions still to be met	0	109 863
The grant to be used for external bursaries to enable municipalities to attract top performing learners within the municipal area to succeed in Higher Education Institutions.		
	2022 R	2021 R
22.9 <u>Vermaaklikheid Land Reform</u>		
Opening balance	1 406	30 576
Conditions met - Operating	(1 406)	(29 170)
Conditions still to be met	0	1 406
	2022 R	2021 R
22.10 <u>Community Development Workers</u>		
Opening balance	38 000	38 000
Grants received	(38 000)	(38 000)
Conditions still to be met	-	-
The grant is earmarked for environmental projects		
	2022 R	2021 R
22.11 <u>Department Economic Development & Tourism - SMME Booster Fund</u>		
Opening balance	2 750 600	-
Grants received	(1 170 353)	-
Conditions met - Capital	-	-
Conditions still to be met	1 580 247	-
The grant is used to support the development of infrastructure projects which promote medium to long-term economic gains and to increase the sustainability and growth of SMME's.		
	2022 R	2021 R
22.12 <u>Housing Consumer Education</u>		
Opening balance	2 990	2 990
Conditions met - Capital	(2 990)	-
Conditions still to be met	-	2 990
This grant is earmarked for consumer awareness projects		

HESSEQUA LOCAL MUNICIPALITY

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

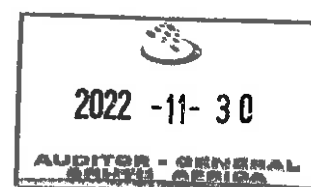
	2022 R	2021 R
22.13 <u>Local Economic Development - Capacity Building</u>		
Opening balance	-	-
Grants received	200 000	-
Conditions met - Operating	(150 836)	-
	<hr/>	<hr/>
Conditions still to be met	49 164	-
The grant is earmarked	<hr/>	<hr/>
	2022 R	2021 R
22.14 <u>Proclaimed Roads</u>		
Opening balance	-	-
Grants received	120 000	120 000
Conditions met - Operating	(120 000)	(120 000)
	<hr/>	<hr/>
Conditions still to be met	-	-
This grant was used for Provincial road projects	<hr/>	<hr/>
	2022 R	2021 R
22.15 <u>Local Government Public Employment Support Grant</u>		
Opening balance	-	-
Grants received	1 100 000	-
Conditions met - Operating	(224 858)	-
	<hr/>	<hr/>
Conditions still to be met	875 142	-
The grant is earmarked to coordinate and ensure the implementation of targeted, short term public employment programmes for communities identified as being in distress.	<hr/>	<hr/>
	2022 R	2021 R
22.16 <u>Financial Management Support Grant</u>		
Opening balance	-	-
Repaid to Provincial Government	-	145 674
	<hr/>	<hr/>
Conditions still to be met	-	(145 674)
	<hr/>	<hr/>
This grant was used for the development of the municipality's financial plan and R145 674 was repaid to the National Revenue Fund	<hr/>	<hr/>
	2022 R	2021 R
22.17 <u>Municipal Service Delivery and Capacity Building</u>		
Opening balance	-	-
Repaid to Provincial Government	-	21 262
	<hr/>	<hr/>
Conditions still to be met	-	(21 262)
	<hr/>	<hr/>
For youth development and IT governance. Repaid to the National Revenue Fund.	<hr/>	<hr/>
	2022 R	2021 R
22.18 <u>LG Graduate Internship Grant</u>		
Opening balance	-	-
Repaid to Provincial Government	-	1 267
	<hr/>	<hr/>
Conditions still to be met	-	(1 267)
	<hr/>	<hr/>
For an internship. Repaid to the National Revenue Fund.	<hr/>	<hr/>
	2022 R	2021 R
22.19 <u>Alternative Electricity</u>		
Opening balance	-	-
Conditions met - Capital	273 533	273 533
	<hr/>	<hr/>
Conditions still to be met	(273 533)	-
	<hr/>	<hr/>
	-	273 533
	<hr/>	<hr/>



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
22.20 Accelerated Community Infrastructure Programme		
Opening balance	30 907	30 907
Conditions still to be met	30 907	30 907
	2022 R	2021 R
22.21 Human Settlement Development Acceleration of Housing		
Opening balance	6 014 250	
Grants received	-	9 000 000
Conditions met - Capital	(6 014 250)	(2 985 750)
Conditions still to be met	-	6 014 250
To provide funding for the creation of sustainable human settlements		
	2022 R	2021 R
22.21.1 Human Settlement Development Grant Beneficiaries		
Opening balance	-	-
Grants received	46 337 983	-
Conditions met - Capital	(46 337 983)	-
Conditions still to be met	-	-
To provide funding for the creation of sustainable human settlements		
	2022 R	2021 R
22.22 Energy Efficiency and Demand Side Management Grant		
Opening balance	-	-
Grants received	4 500 000	3 600 000
Conditions met - Operating	(91 317)	-
Conditions met - Capital	(4 316 534)	(3 600 000)
Conditions still to be met	92 150	-
Funds to be used to implement electricity saving projects in municipal infrastructure		
	2022 R	2021 R
22.23 Municipal Sport Facilities		
Opening balance	600 000	-
Grants received	-	600 000
Conditions met - Capital	(600 000)	-
Conditions still to be met	-	600 000
For development of sport and recreation facilities		
22.24 Fire Service Capacity Building Grant		
Opening balance	-	5 850
Repaid to Provincial Government	-	(5 850)
Conditions still to be met	-	-
For development of sport and recreation facilities		
22.25 District Municipality: Safe Plan		
Opening balance	-	-
Grants received	120 000	-
Conditions met - Operating	(120 000)	-
Conditions still to be met	-	-
For the coordination of municipal safety plans and safety initiatives.		



HESSEQUA LOCAL MUNICIPALITY

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

	R	R
22.26 Total Government Grants and Subsidies		
Opening balance	14 051 925	4 681 292
Grants received	131 115 058	93 102 639
Repaid to National Revenue Fund	-	(174 053)
Conditions met - Operating	(64 890 324)	(63 026 844)
Conditions met - Capital	(73 789 655)	(20 531 108)
Conditions still to be met/(Grant expenditure to be recovered)	6 487 004	14 051 925
	2022	2021
	R	R
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts - Refer note 18	6 487 004	14 051 925
Total	6 487 004	14 051 925
	2022	2021
	R	R
23. PUBLIC CONTRIBUTIONS AND DONATIONS		
Other Grant Providers - Operating	227 007	330 840
Tourism	23,3 1 820	-
SETA	23,5 225 187	330 840
Other Grant Providers - Capital	10 025	207 285
Africana Centre	-	-
ASLA Devco - Water Meters Slangrivier	10 025	207 285
Total Public Contributions and Donations	237 032	538 126
<u>Reconciliation of conditional contributions:</u>		
	2022	2021
	R	R
23.1 Africana Centre		
Opening balance	-	-
Grants received	103 037	3 037
Conditions still to be met	-	100 000
	103 037	103 037
This was utilised for maintenance and general expenditure		

HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
23.2 <u>Asja Devo - Water Meters Slangrivier</u>		
Opening balance	10 025	217 310
Conditions met - Operating	(10 025)	(207 285)
Conditions still to be met	<u>(0)</u>	<u>10 025</u>

This grant is used for the acquisition and installation of water meters in housing schemes

	2022 R	2021 R
23.3 <u>Tourism</u>		
Opening balance	1 820	1 820
Conditions met - Operating	(1 820)	-
Conditions still to be met	<u>-</u>	<u>1 820</u>

This grant is earmarked for projects in previously disadvantaged areas

	2022 R	2021 R
23.4 <u>Public Participation Strategy</u>		
Opening balance	57 086	57 086
Conditions still to be met	<u>57 086</u>	<u>57 086</u>

This grant is used for public participation initiatives

	2022 R	2021 R
23.5 <u>Seta</u>		
Opening balance	907 177	1 000 362
Grants received	160 187	237 655
Conditions met - Operating	(225 187)	(330 639)
Conditions still to be met	<u>842 177</u>	<u>907 177</u>

This grant is utilised for various staff skills development programmes



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
<u>Total Conditional Contributions</u>		
Opening balance	1 079 145	1 279 615
Grants received	180 187	337 655
Conditions met - Operating	(227 007)	(330 839)
Conditions met - Capital	(10 025)	(207 285)
Conditions still to be met	<u>1 002 301</u>	<u>1 079 145</u>
	2022 R	2021 R
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts - Refer note 18	1 002 301	1 079 145
Total	<u>1 002 301</u>	<u>1 079 145</u>
	2022 R	2021 R
24. LICENCES AND PERMITS		
Boat	328 426	260 355
Dog	2 847	14 610
Trading	11 857	13 372
Road and Transport	1 645 060	1 588 478
Total Licences and Permits	<u>1 988 190</u>	<u>1 876 814</u>
	2022 R	2021 R
<u>Disclosed as follows:</u>		
Revenue from Non-Exchange Transactions	1 988 190	1 876 814
Revenue from Exchange Transactions	-	-
Total Licences and Permits	<u>1 988 190</u>	<u>1 876 814</u>
	2022 R	2021 R
25. SERVICE CHARGES		Reclassified
Electricity	185 888 273	164 353 241
Service Charges	190 283 952	168 293 806
<u>Less:</u> Revenue Forgone	(4 395 679)	(3 940 565)
Water	46 252 220	43 001 700
Service Charges	57 494 439	54 576 325
<u>Less:</u> Revenue Forgone	(11 242 219)	(11 574 625)
Waste Management	31 168 533	25 980 041
Service Charges	42 017 156	36 118 861
<u>Less:</u> Revenue Forgone	(10 848 623)	(10 138 821)
Waste Water Management	25 482 338	22 876 971
Service Charges	35 225 645	32 760 569
<u>Less:</u> Revenue Forgone	(9 743 307)	(9 883 597)
Total Service Charges	<u>288 791 364</u>	<u>256 211 953</u>

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

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

HESSEQUA LOCAL MUNICIPALITY

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

	2022	2021
	R	R
26. SALES OF GOODS AND RENDERING OF SERVICES		
Advertisements	29 771	19 231
Application Fees for Land Usage	1 830	2 931
Building Plan Approval	2 080 815	1 908 353
Camping Fees	14 315 571	9 444 407
Cemetery and Burial	239 009	188 711
Cleaning and Removal	42 038	21 954
Development Charges	2 386 287	1 522 220
Encroachment Fees	5 144	4 965
Entrance Fees	51 322	34 867
Photocopies and Faxes	64 257	31 390
Removal of Restrictions	491 638	478 892
Valuation Services	482 792	456 555
Total Sales of Goods and Rendering of Services	20 200 475	14 114 476
	2022	2021
	R	R
27. RENTAL FROM FIXED ASSETS		Restated
Investment Property	938 197	871 890
Property, Plant and Equipment	2 462 523	2 244 281
Total Rental from Fixed Assets	3 400 720	3 116 171
	2022	2021
	R	R
28. INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	1 225 499	824 971
Financial assets	18 154 944	13 222 766
Total Interest Earned - External Investments	19 380 443	14 047 737
	2022	2021
	R	R
28. INTEREST EARNED - EXCHANGE TRANSACTIONS		
Long-term Receivables	-	-
Trade Receivables	1 759 545	1 512 707
Other Receivables	61 374	93 432
Total Interest Earned - Outstanding Receivables	1 820 919	1 606 139



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
29. OPERATIONAL REVENUE		
Collection Charges	829 631	843 654
Commission	115 528	102 414
Incidental Cash Surpluses	4 607	1 896
Inspection Fees	471 047	469 187
Insurance Refund	1 134 951	284 141
Merchandising, Jobbing and Contracts	13 470	-
Request for Information	251 409	349 544
Total Operational Revenue	2 820 645	2 050 835

Disclosed as follows:

	2022 R	2021 R
Revenue from Exchange Transactions	2 820 645	2 050 835
Revenue from Non-Exchange Transactions	-	-
Total Operational Revenue	2 820 645	2 050 835

	2022 R	2021 R
30. EMPLOYEE RELATED COSTS		
Basic Salaries and Wages	127 011 091	117 319 240
Pension and UIF Contributions	22 746 405	20 975 381
Medical Aid Contributions	8 596 149	6 304 118
Overtime	7 512 740	6 735 631
Bonuses	10 708 444	10 158 696
Motor Vehicle Allowance	565 767	596 620
Cell Phone Allowance	397 607	351 664
Housing Allowances	720 780	1 294 465
Other benefits and allowances	8 130 273	7 566 833
Payments in lieu of leave	1 114 007	1 823 909
Workmen's Compensation Fund	1 008 418	919 641
Post-retirement Benefit Obligations	9 758 000	7 773 052
Medical - Note 14	7 787 000	6 348 000
Current Service Cost	1 467 000	1 265 000
Interest Cost	6 320 000	5 083 000
Pension	7 000	8 052
Current Service Cost	-	-
Interest Cost	7 000	8 052
Long Service Awards - Note 14	1 964 000	1 417 000,00
Current Service Cost	830 000	766 000
Interest Cost	1 134 000	651 000
Total Employee Related Costs	196 269 682	181 817 351

KEY MANAGEMENT PERSONNEL

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager

	2022 R	2021 R
Basic Salary	657 114	1 150 698
Contributions to UIF, Medical and Pension Fund	18 205	199 939
Performance Bonus	194 129	194 129
Motor Vehicle Allowance	18 000	36 000
Leave Payout	125 538	-
Other (telephone, bargaining council etc)	7 262	14 519
Total	1 020 246	1 595 285

Remuneration of the Chief Financial Officer

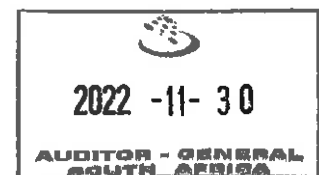
	2022 R	2021 R
Basic Salary	967 690	926 299
Contributions to UIF, Medical and Pension Fund	206 096	197 102
Performance Bonus	187 376	176 354
Motor Vehicle Allowance	215 000	215 000
Other (telephone, bargaining council etc)	7 324	7 318
Total	1 583 486	1 522 074



HESSEQUA LOCAL MUNICIPALITY

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

	2022	2021
	R	R
Remuneration of Director : Corporate Services		
Basic Salary	1 141 994	1 101 695
Contributions to UIF, Medical, Pension Fund and group life	248 495	236 706
Performance Bonus	187 376	176 354
Acting Allowance	1 732	-
Other (telephone, bargaining council etc)	7 324	7 319
Total	1 584 920	1 522 074
	2022	2021
	R	R
Remuneration of Director : Community Services		
Basic Salary	1 033 657	1 000 849
Contributions to UIF, Medical, Pension Fund and group life	272 791	257 552
Performance Bonus	187 376	176 354
Motor Vehicle Allowance	80 000	80 000
Other (telephone, bargaining council etc)	7 324	7 319
Total	1 581 148	1 522 074
	2022	2021
	R	R
Remuneration of Director : Technical Services		
Basic Salary	818 013	793 734
Contributions to UIF, Medical and Pension Fund	201 245	189 022
Performance Bonus	158 685	104 349
Motor Vehicle Allowance	145 842	145 746
Other Allowance (Remote & Housing)	58 500	64 309
Other (telephone, bargaining council etc)	7 324	7 319
Total	1 389 608	1 304 480
	2022	2021
	R	R
Remuneration of Director : Planning Service		
Basic Salary	1 097 496	1 056 261
Acting Allowance	20 319	-
Contributions to UIF, Medical, Pension Fund and group life	231 290	222 140
Performance Bonus	187 376	176 354
Motor Vehicle Allowance	80 000	80 000
Other (telephone, bargaining council etc)	7 324	7 318
Long service awards	-	80 627
Total	1 603 805	1 602 700
The following compensation was payable to key management personnel in terms of GRAP 25 as at 30 June:		
	2022	2021
	R	R
Post-employment Benefits:		
Chief Financial Officer	382 699	795 000
Director: Corporate Services	707 831	609 000
Director: Technical Services	293 511	58 000
Director: Planning	214 556	251 000
Director: Community Services	254 647	212 000
Total	1 853 344	1 923 000
	2022	2021
	R	R
Staff Leave Benefits:		
Municipal Manager	0	64 877
Chief Financial Officer	71 515	105 640
Director: Corporate Services	92 794	47 532
Director: Technical Services	132 412	129 759
Director: Planning	66 316	49 496
Director: Community Services	148 986	136 233
Total	512 023	533 537
	2022	2021
	R	R
Other long-term Benefits:		
Director: Corporate Services	88 920	81 506
Director: Technical Services	62 688	49 792
Director: Planning	63 862	58 332
Director: Community Services	296 308	273 133
Total	511 778	460 763



HESSEQUA LOCAL MUNICIPALITY

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

		2022 R		2021 R		
31. REMUNERATION OF COUNCILLORS						
Remuneration paid to Councillors can be summarised as follows:						
	Salary	Travel Allowance	Other Allowances	Contributions	Total	Total
Executive Mayor	565 037	215 215	44 400	97 939	922 590	905 257
Deputy Executive-Mayor	694 285	8 000	44 400	15 969	762 654	721 792
Speaker	636 377		44 400	48 115	728 892	732 586
Chief Whip						189 171
Executive Committee Members	1 815 133	52 729	109 745	134 948	2 112 554	1 989 873
Councillors	2 143 989	506 238	477 033	276 021	3 403 281	3 300 069
Total Councillors' Remuneration	5 854 820	782 181	719 977	572 992	7 929 971	7 838 749

In-kind Benefits

The Executive Mayor, Executive Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

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

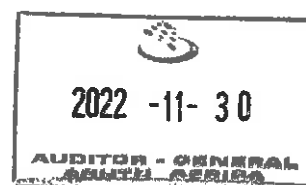
		2022 R		2021 R
32. CONTRACTED SERVICES				
Outsourced Services		9 696 688		6 018 214
Animal Care		104 910		96 490
Burial Services		102 620		92 773
Business and Advisory		167 297		-
Cleaning Services		1 035 647		1 010 720
Cleaning and Grass Cutting Services		6 500		-
Litter Picking and Street Cleaning		-		60 000
Professional Staff		-		3 000
Refuse Removal		23 251		87 000
Security Services		450 642		451 937
Translators, Scribes and Editors		44 427		33 308
Traffic Fines Management		7 713 285		4 125 215
Veterinary Services		48 110		57 771
Consultants and Professional Services		6 049 465		5 809 493
Business and Advisory		2 603 906		3 337 209
Accounting and Auditing		934 486		1 397 138
Audit Committee		93 075		73 965
Medical Examinations		86 125		123 180
Occupational Health and Safety		51 423		84 661
Organisational		10 594		-
Project Management		91 004		7 500
Research and Advisory		468 176		419 153
Qualification Verification		21 128		9 767
Quality Control		42 655		52 246
Valuer and Assessors		825 240		1 169 601
Infrastructure and Planning		713 909		402 778
Engineering		596 514		232 373
Town Planner		117 395		170 405
Laboratory Services		568 105		530 779
Water		568 105		530 779
Legal Cost		2 163 546		1 538 727
Legal Advice and Litigation		1 332 992		678 799
Collection		830 554		859 928
Contractors		19 493 524		16 579 353
Aerial Surveillance		5 860		-
Artists and Performers		32 000		-
Catering Services		190 937		104 047
Event Promoters		197 200		130 641
Fire Protection		1 215 389		184 031
Fire Services		2 755 955		2 452 876
Gas		7 207		-
Graphic Designers		14 465		16 890
Haulage		1 036 092		977 532
Maintenance of Buildings and Facilities		1 809 431		2 476 068
Maintenance of Equipment		3 023 964		2 528 891
Maintenance of Unspecified Assets		8 472 430		7 000 521
Safeguard and Security		701 654		707 856
Stage and Sound Crew		30 940		-
Total Contracted Services		35 239 678		28 407 061



HESSEQUA LOCAL MUNICIPALITY

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

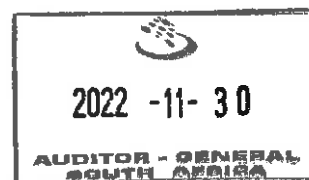
	2022 R	2021 R Restated
33. DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	28 596 671	27 065 180
Intangible Assets	15 386	21 545
Heritage assets	-	-
Investment Property carried at cost	-	-
Total Depreciation and Amortisation	28 611 057	27 086 725
	2022	2021
	R	R Restated
34. FINANCE COSTS		
Long-term Borrowings	15 560 231	11 948 736
Non-current Provisions	3 927 293	2 976 030
Total Finance Costs	19 487 523	14 924 766
	2022	2021
	R	R Restated
35. BULK PURCHASES		
Electricity	141 118 373	122 254 266
Water	-	-
Total Bulk Purchases	141 118 373	122 254 266
<p>Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Overberg water and "Korente Vetterrivier Irrigation Board. Refer to note 8.1</p>		
	2022	2021
	R	R
36. TRANSFERS AND SUBSIDIES		
Capital	3 444 891	1 972 856
Operational		
Allocations In-kind	83 318	67 917
Households	83 318	67 917
Monetary Allocations	3 361 573	1 904 939
Households	1 790 440	482 655
Non-profit Institutions	1 571 133	1 422 284
Total Transfers and Subsidies	3 444 891	1 972 856



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
37. OPERATIONAL COSTS		
Achievements and Awards	1 270	
Advertising, Publicity and Marketing	764 240	729 037
Audit Fees	4 729 839	3 995 901
Bank Charges, Facility and Card Fees	772 368	655 199
Bursaries (Employees)	154 218	141 098
Cash Discount	257 198	219 680
Cleaning Services	1 371	1 763
Commission	726 259	647 808
Courier and Delivery Services	18 088	23 675
Communication	1 130 028	1 009 700
Deeds	75 301	103 664
Drivers Licences and Permits	41 068	42 191
Entertainment	117 348	41 160
External Computer Service	6 175 151	5 802 841
Full Time Union Representative	103 891	130 443
Hire Charges	31 090	106 880
Honoraria (Voluntarily Workers)	70 980	67 200
Insurance Underwriting	3 902 594	2 580 006
Learnerships and Internships	847 117	943 501
Levies Paid - Water Resource Management Charges	448 290	458 332
Licences	499 007	362 552
Office Decorations	90 000	-
Printing, Publications and Books	131 275	151 671
Professional Bodies, Membership and Subscription	2 031 248	1 761 679
Registration Fees	765 770	667 832
Remuneration to Ward Committees	180 462	220 419
Resettlement Cost	41 148	13 430
Servitudes and Land Surveys	0	28 300
Signage	322 061	228 554
Skills Development Fund Levy	1 571 137	1 244 455
Transport Provided as Part of Departmental Activities	83 553	14 475
Travel and Subsistence	1 247 456	755 151
Uniform and Protective Clothing	1 287 574	1 661 117
Vehicle Tracking	351 163	451 683
Total Operational Costs	28 969 563	25 061 398
	2022 R	2021 R
38. REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON RECEIVABLES		
Receivables from Exchange Transactions - Note 9	(2 520 347)	(2 653 386)
Receivables from Non-exchange Revenue - Note 10	109 702	917 143
Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables	(2 410 646)	(1 736 245)
	2022 R	2021 R
39. GAINS/ (LOSS) ON SALE OF FIXED ASSETS		
Investment Property	10 056 765	111 249
Property, Plant and Equipment	(269 745)	108 507
Total Gains/ (Loss) on Sale of Fixed Assets	9 787 021	219 756
	2022 R	2021 R
40. PROFIT/ (LOSS) ON FAIR VALUE ADJUSTMENTS		
Investment Property carried at fair value	17 487 157	372 752
Total Profit/ (Loss) on Fair Value Adjustments	17 487 157	372 752
	2022 R	2021 R
41. WATER LOSSES		
Real Losses	962 603	409 866
Total Water Losses (Refer to note 51.8)	962 603	409 866



HESSEQUA LOCAL MUNICIPALITY

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

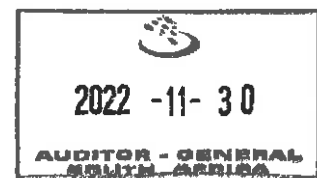
43. RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS

Certain reclassifications were done in the prior year to correct allocations between accounts. The effect of the reclassifications are as follows:

43.1 Receivables

Reclassifications between Receivables from Exchange Transactions and Receivables from Non-Exchange Transactions.

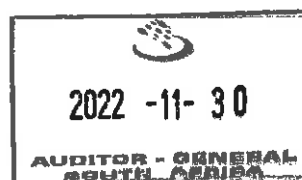
	2022 R		2021 R
	Balance previously reported	Adjustments	Restated Balance
	R	R	R
Statement of Financial Position as at 30 June 2021			
Receivables from Exchange Transactions			
Electricity	21 905 412	(1 357 756)	20 547 656
Water	13 691 011	(1 757 551)	11 933 460
Waste Management	7 239 976	-	7 239 976
Waste Water Management	8 526 840	(2 322 137)	6 204 703
Other	6 976 350	-	6 976 350
Prepayments	-	2 607 959	2 607 959
Deposits	-	264 747	264 747
Other Sundries	-	450 213	450 213
Other - Employees	-	50 256	50 256
Less: Provision for Debt Impairment	(27 825 695)	2 593 447	(25 232 248)
	<u>30 513 894</u>	<u>529 178</u>	<u>31 043 072</u>
Receivables from Non-Exchange Transactions			
Taxes - Rates	14 179 597	0	14 179 597
Fines	72 318 381	-	72 318 381
Other Receivables	3 373 175	(3 373 175)	-
Availability Charges	-	5 437 443	5 437 443
Less: Provision for Debt Impairment	(67 209 540)	(2 593 446)	(69 802 986)
	<u>22 681 613</u>	<u>(529 178)</u>	<u>22 132 435</u>
Ageing of Receivables from Exchange Transactions			
Electricity - Ageing			
Current (0 - 30 days)	14 844 677	(210 648)	14 634 029
31 - 60 Days	1 647 849	(57 366)	1 590 483
61 - 90 Days	676 512	(37 436)	639 076
+ 90 Days	4 736 373	(1 052 305)	3 684 068
Total	<u>21 905 411</u>	<u>(1 357 755)</u>	<u>20 547 656</u>
Water - Ageing			
Current (0 - 30 days)	4 849 703	(152 474)	4 697 229
31 - 60 Days	1 142 741	(80 358)	1 062 383
61 - 90 Days	605 268	(30 488)	574 778
+ 90 Days	7 093 301	(1 514 230)	5 579 071
Total	<u>13 691 011</u>	<u>(1 757 550)</u>	<u>11 933 461</u>
Waste Water Management - Ageing			
Current (0 - 30 days)	2 286 196	(195 672)	2 090 524
31 - 60 Days	690 026	(80 488)	609 538
61 - 90 Days	384 307	(41 416)	342 891
+ 90 Days	5 166 311	(2 004 561)	3 161 750
Total	<u>8 526 840</u>	<u>(2 322 137)</u>	<u>6 204 703</u>
Prepayments - Ageing			
Current (0 - 30 days)	-	2 607 959	2 607 959
	<u>-</u>	<u>2 607 959</u>	<u>2 607 959</u>
Deposits - Ageing			
Current (0 - 30 days)	-	264 747	264 747
	<u>-</u>	<u>264 747</u>	<u>264 747</u>
Other sundry transactions - Ageing			
Current (0 - 30 days)	-	450 213	450 213
	<u>-</u>	<u>450 213</u>	<u>450 213</u>
Other Employees - Ageing			
Current (0 - 30 days)	-	50 256	50 256
	<u>-</u>	<u>50 256</u>	<u>50 256</u>
Total - Ageing			
Current (0 - 30 days)	25 553 278	2 814 380	28 367 658
31 - 60 Days	4 601 144	(198 212)	4 402 932
61 - 90 Days	2 347 053	(109 341)	2 237 712
+ 90 Days	25 838 113	(4 571 096)	21 267 017
Total	<u>58 339 588</u>	<u>(2 064 268)</u>	<u>56 275 320</u>



HESSEQUA LOCAL MUNICIPALITY

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

	Balance previously reported R	Adjustments R	Restated Balance R
Ageing of Receivables from Non-Exchange Transactions			
Availability - Ageing			
31 - 60 Days	-	558 794	558 794
61 - 90 Days	-	198 212	198 212
+ 90 Days	-	109 341	109 341
Total	-	4 571 096	4 571 096
	-	5 437 443	5 437 443
43.2 Trade and Other Payables from Exchange Transactions			
Balance previously reported			
Adjustments			
Restated Balance			
Reclassifications between trade payables and other payables			
Trade Payables	40 278 347	(2 921 886)	37 356 461
Advance Payments	4 334 179	-	4 334 179
Other Payables	6 604 188	2 921 886	9 526 074
Retentions	6 122 356	-	6 122 356
	57 339 070	-	57 339 070
	114 678 140	-	114 678 140
43.3 VAT Payable			
VAT Output in Suspense	(5 992 258)	-	(5 992 258)
Less: Contribution to provision for Doubtful Debt Impairment	0	3 109 565	3 109 565
Total VAT Payable	(5 992 258)	3 109 565	(2 882 693)
VAT Receivable	5 079 144	-	5 079 144
VAT Input in Suspense	3 288 779	(3 109 565)	179 214
Total VAT Receivable	8 367 922	(3 109 565)	5 258 357
Net VAT receivable	2 375 664	-	2 375 664
43.4 Reclassifications in the Statement of Financial Performance			
Balance as previously stated			
Adjustments			
Restated Balance			
Revenue from Non-Exchange Transactions			
Property Rates	101 568 021	-	101 568 021
Government Grants and Subsidies - Capital	20 560 278	-	20 560 278
Government Grants and Subsidies - Operating	62 997 675	-	62 997 675
Other Grants and Subsidies	538 128	-	538 126
Contributed Property, Plant and Equipment	107 630	-	107 630
Fines, Penalties and Forfeits	55 690 179	-	55 690 179
Availability Charges	-	10 681 702	10 681 702
Interest Earned - Non-exchange Transactions	533 467	-	533 467
Licences and Permits - Non-Exchange Transactions	1 876 814	-	1 876 814
Revenue from Exchange Transactions			
Service Charges	266 893 655	(10 681 702)	256 211 953
Sales of Goods and Rendering of Services	14 114 476	-	14 114 476
Rental from Fixed Assets	3 116 171	-	3 116 171
Interest Earned - External Investments	14 047 737	-	14 047 737
Interest Earned - Exchange Transactions	1 606 139	-	1 606 139
Agency Services	2 641 186	-	2 641 186
Operational Revenue	2 050 835	-	2 050 835
Total	548 342 388	(0)	548 342 388
Expenditure			
Employee related costs	181 817 351	-	181 817 351
Remuneration of Councillors	7 838 749	-	7 838 749
Bad Debts Written Off	50 837 494	-	50 837 494
Contracted Services	28 407 061	-	28 407 061
Depreciation and Amortisation	26 604 887	481 837	27 086 725
Finance Costs	15 131 466	(206 699)	14 924 766
Bulk Purchases	122 337 154	(82 888)	122 254 266
Inventory Consumed	26 637 754	82 888	26 720 642
Operating Leases	1 589 728	-	1 589 728
Transfers and Subsidies	1 972 856	-	1 972 856
Operational Costs	25 061 398	-	25 061 398
Total	488 235 896	275 138	488 511 034
Net Surplus/(Deficit) for the year as restated	60 106 492	275 138	59 831 354



HESSEQUA LOCAL MUNICIPALITY

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

	Balance previously reported	2022 R Adjustments	2021 R Restated Balance
43.5 Reclassifications In the Cash Flow Statement			
Cash Receipts			
Property Rates	102 385 674	-	102 385 674
Service Charges	252 522 196	(5 244 259)	247 277 937
Fines	10 852 729	-	10 852 729
Availability charge	-	5 244 260	5 244 260
Other Revenue	22 210 431	-	22 210 431
Government - Operating	72 881 099	-	72 881 099
Government - Capital	20 210 805	-	20 210 805
Cash Payments			
Employees	(179 011 920)	-	(179 011 920)
Suppliers	(183 038 013)	(206 700)	(183 244 713)
Transfers and Grants	(1 972 856)	-	(1 972 856)
Cash generated from operations as restated	117 040 145	(206 699)	116 833 445

44. CORRECTION OF ERROR AND CHANGE IN ESTIMATES IN TERMS OF GRAP 3

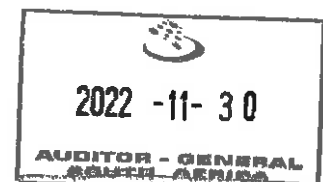
Errors and other restatements in the prior year transactions were discovered and were corrected in the current year's financial statements. Details of these errors and restatements are as follows:

In the prior year, the provision for the rehabilitation of land-fill sites was overstated, with effects on Property, Plant & Equipment, Profit/Loss and Accumulated Surplus. This error was corrected in the balance of the prior year to comply with GRAP 19, with the following effects:

	2021 R
44.1 Provision for Rehabilitation of Landfill-Sites	
Balance previously reported	35 999 944
Correction of over statement	(2 121 484)
Balance as restated	33 878 460
Property, Plant & Equipment	
Balance previously reported	894 282 431
Correction of error - Cost	(740 455)
Correction of error - Accumulated depreciation	(481 838)
Restated Balance	893 060 139
Net Surplus	
Balance previously reported	53 602 914
Correction - Depreciation	(481 837)
Correction - Finance cost	206 699
	53 327 776
Accumulated Surplus/(Deficit) - 30 June 2021	1 002 137 926
Correction of opening balance	1 174 332
Total	1 003 312 258

44.2 Restatements in Disclosure Notes

Revenue from Investment Property	
Revenue derived from the rental of Investment Property as previously stated	2 966 621
Correction	(2 094 731)
Revenue derived from the rental of Investment Property as restated	871 890
Operating Expenditure Incurred on properties:	
Repairs and Maintenance - Revenue generating expenditure as previously stated	2 966 621
Correction	(2 966 621)
Repairs and Maintenance - Revenue generating expenditure as restated	-



HESSEQUA LOCAL MUNICIPALITY

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

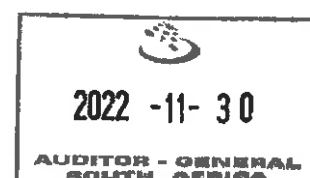
	2022 R	2021 R
45. RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS		
Surplus for the year	133 679 885	53 327 776
Adjustments for:		
Depreciation and Amortisation	28 611 057	27 086 725
Loss/(Gain) on Sale of Fixed Assets	(9 787 021)	(219 756)
Transfer to PPE	887 597	(58 105)
Profit/(Loss) on Fair Value Adjustments	(17 487 157)	(372 752)
Impairment loss on fixed assets	10 421 426	-
Contributed Property, Plant and Equipment	(123 000)	(107 630)
Government Grants and Subsidies received	131 275 245	93 264 457
Government Grants and Subsidies recognised as revenue	(138 917 010)	(84 096 078)
Contribution to provisions – Non-Current Provisions	3 927 292	2 976 030
Change In Provision for Rehabilitation Cost	-	(928 377)
Contribution from/to provisions - Non-Current Employee Benefits	5 319 119	4 518 237
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses/(gains)	(3 637 119)	5 878 351
Contribution to provisions – Bad Debt	57 010 549	52 573 739
Unamortised Discounts - Interest Received	(21 752 363)	(16 187 343)
Unamortised Discounts - Interest Paid	19 487 523	14 924 766
Operating lease income accrued	(106 438)	(115 700)
Operating lease expenses accrued	(9 348)	(33 953)
Operating Surplus/(Deficit) before changes in working capital	198 800 218	152 430 388
Changes in working capital	(59 391 871)	(35 596 943)
Increase/(Decrease) in Provisions	-	426 280
Increase/(Decrease) in Trade and Other Payables	(4 880 219)	14 766 837
Increase/(Decrease) in Consumer Deposits	947 824	1 479 027
Increase/(Decrease) In Employee Benefits	1 947 369	1 256 471
Increase/(Decrease) In Taxes	4 096 892	(639 486)
(Increase)/Decrease in Inventory	(863 472)	(221 897)
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(11 610 322)	(5 766 247)
(Increase)/Decrease in Other Receivables from Non-Exchange Transactions	(49 029 944)	(46 897 928)
Cash generated by operations	139 408 348	116 833 445
	2022 R	2021 R
46. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Current Accounts - Note 11	2 504 799	3 079 183
Call Deposits and Investments - Note 11	360 105 001	345 523 611
Cash Floats - Note 11	66 460	66 460
Total cash and cash equivalents	362 676 261	348 669 253
	2022 R	2021 R
47. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 46	362 676 261	348 669 253
Less:	(157 895 617)	(188 905 587)
Unspent Transfers and Subsidies - Note 18	(7 489 305)	(15 131 070)
Long-term Borrowings - Note 12	(149 863 209)	(173 231 414)
Cash Portion of Housing Development Fund - Note 20	(543 103)	(543 103)
Resources available for working capital requirements	204 780 643	159 763 666
	2022 R	2021 R
48. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 12	149 863 209	173 231 414
Used to finance property, plant and equipment - at cost	(149 863 209)	(173 231 414)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R	
49. BUDGET INFORMATION			
49.1 Explanation of variances between approved and final budget amounts			
The reasons for the variances between the approved and final budgets are mainly due to virements, and the negative effect of the Covid-19 pandemic on revenue, increase in consumer debtors, reprioritising of operating and capital projects*.			
Explanation of variances greater than 5% (only if material) : Final Budget and Actual Amounts			
	Final Budget 2022	Actual 2022	Variance
49.2 Statement of Financial Position			
49.2.1 Current Assets	317 362 559	424 502 850	
Cash	3 989 769	2 571 259	-35,65%
The Municipality transferred excess money from bank accounts to investment portfolio.			
Call Investment Deposits	255 504 994	360 105 001	40,94%
The major influence on this variance relates to sale of land and more income generated from property rates due to the implementation of a new roll.			
Consumer Debtors	33 307 928	31 993 698	-3,95%
The budget template does not provide for detail splitting of the various types of receivables, therefore it is shown as one line item in the budget, but separate line items in the financial statements. All these items need to be seen as a whole to determine the actual variance. The variance is within acceptable norms.			
Other Debtors	21 083 081	25 558 580	21,23%
The budget template does not provide for detail splitting of the various types of receivables, therefore it is shown as one line item in the budget, but separate line items in the financial statements. All these items need to be seen as a whole to determine the actual variance. The major influence is the re-allocation of availability charges to other debtors.			
Current Portion of long-term receivables	3 432	-	-100,00%
The long term receivables were fully settled during the financial year.			
Inventory	3 473 355	4 274 332	23,06%
Budgeting subject to impracticalities for the determination of the outcome in advance.			
49.2.2 Non-Current Assets	1 042 356 151	1 094 436 207	
Long-term Receivables	3 823	0	-100,00%
The long term receivables were fully settled during the financial year.			
Investment Property	73 606 414	91 486 333	24,29%
The new valuation on investment property shows a significant increase in the valuation			
Property, Plant and Equipment	960 114 251	994 018 369	3,53%
The variance is within acceptable norms			
Intangible Assets	309 788	409 010	32,03%
The variance is not material			
Other Non-Current Assets	8 321 875	8 522 495	2,41%
The variance is within acceptable norms			
49.2.3 Current Liabilities	125 479 775	117 696 068	
Borrowing	23 296 470	21 811 998	-6,37%
Not material variance.			
Consumer Deposits	9 438 069	11 575 638	22,65%
Budgeting subject to impracticalities for the determination of the outcome in advance.			
Trade and Other Payables	70 862 440	61 669 385	-13,00%
The major influence on this variance relates to trade creditors decrease at year-end, because of cut-off dates for spending earlier than previous years.			
Provisions	21 862 796	22 639 048	3,55%
Not material variance.			



HESSEQUA LOCAL MUNICIPALITY

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

49.2.4	Non-Current Liabilities	249 681 284	263 707 763	
	Borrowing	138 312 130	130 488 308	-5,86%
	Lower capital spending than anticipated.			
	Provisions	111 369 154	133 219 455	19,62%
	The major reason for the variance is an iGRAP 2 adjustment not budgeted for.			
49.2.5	NET ASSETS	984 557 651	1 137 535 226	
	Accumulated Surplus/(Deficit)	964 014 548	1 136 992 123	15,55%
	The major reason for the variance is because of a fair value adjustment, more income generated than anticipated from rates and service. Employee related cost was lower than anticipated			
	Housing Development Fund	543 103	543 103	0,00%
	Not material variance.			
	Total Net Assets and Liabilities	984 557 651	1 137 535 226	

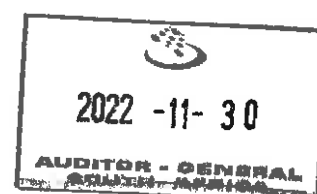
Statement of Financial Performance		Final Budget	Actual	Variance
49.2.6	Revenue	647 750 324	675 902 535	
	Property Rates	104 290 958	112 849 907	8,21%
	Council implemented a new valuation roll. The income from the roll was more than anticipated.			
	Service Charges - Electricity Revenue	180 956 514	185 888 273	2,73%
	Not material variance.			
	Service Charges - Water Revenue	41 859 980	46 252 220	10,49%
	More growth in sales than anticipated/budgeted for			
	Service Charges - Sanitation Revenue	22 046 140	25 482 338	15,59%
	More growth in sales than anticipated/budgeted			
	Service Charges - Refuse Revenue	27 510 387	31 168 533	13,30%
	More growth in sales than anticipated/budgeted			
	Rental of Facilities and Equipment	3 106 882	3 400 720	9,46%
	More income generated from rental than anticipated			
	Interest Earned - External Investments	13 500 000	19 380 443	43,56%
	Better interest rates obtained than the previous year and more funds were available to be invested than budgeted for			
	Interest Earned - Outstanding Debtors	582 835	2 371 920	306,98%
	Increase in outstanding debtors generated more income than anticipated/budgeted			
	Availability Charges	11 880 566	10 446 531	-12,07%
	The region show rapid growth, which contribute to more households connecting to services			
	Fines	56 100 574	61 931 662	10,39%
	More fines issued after COVID-19 lockdown than anticipated/budgeted for the financial year			
	Licences and Permits	1 928 486	1 988 190	3,10%
	Not material variance.			
	Agency Services	2 598 502	2 893 648	11,36%
	More income generated after COVID-19 lockdown than anticipated/budgeted			



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

	Transfers Recognised - Operational	76 359 470	65 117 331	-14,72%
	Underspending on Housing-, Public Employment Support- and Library grant - roll over to 2022/23 financial year. Underspending on LG Seta grant			
	Other Revenue	19 740 656	23 021 119	16,62%
	More income generated than anticipated			
	Contributed Property, Plant and Equipment	0	123 000,00	
	Gains/(Loss) on Disposal of PPE	10 000 000	9 787 021	-2,13%
	The sale of land for the year amount to R10 203 765. All other losses with the write-off of assets is recorded under gains/losses. The latter is not budgeted for			
	Transfers Recognised - Capital	75 288 374	73 798 679	-1,98%
	Underspending on Housing grants. No spending on Museum - cradle of human culture(Stilbay) - Public funds - roll over to 2021/22			
49.2.7	Expenditure	606 299 841	549 288 404	
	Employee Related Costs	209 040 013	192 632 564	-7,85%
	Saving on budget due to vacant posts not filled immediately			
	Remuneration of Councillors	10 007 468	7 929 971	-20,76%
	Savings due to Councillors resigning before election to stand for other parties			
	Debt Impairment	60 385 084	57 010 549	-5,59%
	The impact of Covid-19 on the municipalities revenue is less than expected over the medium term			
	Depreciation and Asset Impairment	35 870 126	28 611 057	-20,24%
	The budget for 2021/2022 was compiled before Council made a downward adjustment on the capital budget			
	Finance Charges	24 334 705	19 487 523	-19,92%
	Councils resolution not to take up the external loan is the main reason for the high variance			
	Bulk Purchases - Electricity	141 363 303	141 118 373	-0,17%
	Not material variance.			
	Other Materials	35 182 916	32 245 166	-8,35%
	Underspending on Bulk Irrigation water, Water/Network and Inventory - Water			
	Contracted Services	47 079 488	35 239 678	-25,15%
	Underspending on Housing grant - roll over to 2022/23. Saving on legal cost collection			
	Transfers and Grants	3 786 940	3 444 891	-9,03%
	Underspending on Grant in Aid (Grocery Parcels & Soup kitchens) and underspending was allocated to Bad Debts -Provision (indigents) – Equitable share grant (COVID Relief)			
	Other Expenditure	39 249 798	31 568 631	-19,57%
	Underspending on Main Frame Computer system and partly roll over to 2022/23 after Implementation was extended to September 2022. Many expenditure lines underspend due to effect of COVID-19			
	Cash Flow Statement			
49.2.8	Net Cash from Operating Activities	81 616 761	141 673 187	
	Taxation	102 107 138	111 418 663	0,09
	Implementation of a new valuation roll realised more revenue than was budgeted for.			
	Service Charges	278 568 015	279 088 355	0,00
	Not a material variance			
	Other Revenue	30 225 626	54 175 859	0,79
	The main reason for the variance is availability charges that were reclassified as other revenue			



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

Government Operating	76 899 470	57 248 559	-0,26
The slow spending for the housing allocation for ownership transfers is the main reason for the variance.			
Government - Capital	74 528 374	74 026 687	-0,01
Not a material variance			
Interest	13 500 000	21 752 363	0,61
Interest rates were more favourable than anticipated.			
Suppliers and Employees	(473 168 141)	(433 104 882)	-0,08
The lower spending on expenditure items are the reason for the variance.			
Finance costs	(16 971 781)	(19 487 523)	0,15
The finance costs for the provision for landfill sites, was not budgeted for in the cash flow budget.			
Transfers and Grants	(4 071 940)	(3 444 891)	-0,15
Less expenditure than anticipated.			
49.2.9 Net Cash from Investing Activities	(113 918 781)	(104 368 713)	
Proceeds on disposal of PPE	10 000 000	10 203 765	0,02
Not a material variance			
Decrease/(Increase) in Non-Current Debtors	-	3 607	#DIV/0!
Not a material variance			
Capital Assets	(123 918 781)	(114 576 085)	-0,08
Under spending of the capital budget, see Appendix D for detail.			
49.2.10 Net Cash from Financing Activities	(23 296 470)	(23 297 467)	
Borrowing long term/refinancing	-	-	#DIV/0!
N/a			
Increase in Trust Funds	-	70 737	#DIV/0!
Not a material variance			
Increase/(Decrease) in Consumer Deposits	-	-	#DIV/0!
N/a			
Repayment of Borrowing	(23 296 470)	(23 368 204)	0,00
Not a material variance			



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

	2022 R	2021 R
50. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
50.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	6 565 974	3 934 664
Correction of prior period error	-	-
Restated opening balance	6 565 974	3 934 664
Unauthorised expenditure current year - operational	-	2 631 310
Unauthorised expenditure current year - capital	-	-
Written off by Council	(6 565 974)	-
Current	-	-
Prior Period	(6 565 974)	-
Unauthorised expenditure awaiting authorisation	-	6 565 974
	2022 R	2021 R

Unauthorised expenditure can be summarised as follow:

Unauthorised expenditure current year	-	2 631 310
Unauthorised expenditure current year - operating	-	-
Unauthorised expenditure current year - capital	-	-
Unauthorised expenditure awaiting authorisation	-	2 631 310
	2022 R	2021 R

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

	2022 Actual R	2022 Final Budget R	2022 Variance R	2022 Unauthorised R
Operating budget - Expenditure by GFS classification				
Vote 01 - Office of the Municipal Manager	33 424 597	37 073 649	(3 649 052)	
Vote 03 - Financial Services	34 377 303	40 656 735	(6 279 432)	
Vote 02 - Corporate Services	46 132 138	51 987 445	(5 855 307)	
Vote 04 - Community Services	86 245 178	96 643 297	(10 398 119)	
Vote 05 - Technical Services	334 755 277	363 913 927	(29 158 650)	
Vote 06 - Spatial Plannign & Environmental Management	14 617 778	16 014 788	(1 397 010)	
	549 552 272	606 299 841	(56 747 569)	-
	2022 Actual R	2022 Final Budget R	2022 Variance R	2022 Unauthorised R
Capital budget - Expenditure by GFS classification				
Vote 01 - Office of the Municipal Manager	267 297	322 500	(55 203)	
Vote 03 - Financial Services	1 905 216	3 987 150	(2 081 934)	
Vote 02 - Corporate Services	2 173 469	2 370 089	(196 620)	
Vote 04 - Community Services	46 432 652	47 475 200	(1 042 548)	
Vote 05 - Technical Services	62 728 751	68 459 142	(5 730 392)	
Vote 06 - Spatial Plannign & Environmental Management	1 191 701	1 304 700	(112 999)	
	114 699 085	123 918 781	(9 219 696)	-
	2022 Actual R	2022 Final Budget R	2022 Variance R	2022 Unauthorised R
Operating budget - Expenditure by type				
Employee Related Costs	196 269 682	209 040 013	(12 770 331)	
Remuneration of Councilors	7 929 971	10 007 468	(2 077 497)	
Debt Impairment	54 599 903	60 385 084	(5 785 181)	
Depreciation and Asset Impairment	28 611 057	35 870 126	(7 259 069)	
Finance Charges	19 487 523	24 334 705	(4 847 182)	
Bulk Purchases	141 118 373	141 363 303	(244 930)	
Other Materials	32 245 166	35 182 916	(2 937 750)	
Contracted Services	35 239 678	47 079 488	(11 839 811)	
Transfers and Grants	3 444 891	3 788 940	(342 049)	
Other Expenditure	30 606 028	39 249 798	(8 643 770)	
	549 552 271	606 299 841	(56 747 570)	-

50.2 Fruitless and wasteful expenditure

No incidents recorded for current and previous year



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
50.3 Irregular expenditure		
Reconciliation of Irregular expenditure:		
Opening balance	77 276	51 312
Irregular expenditure current year	1 533	121 276
Expenditure authorised i.t.o. Section 32 of MFMA	(78 151)	(95 312)
Current	(875)	(44 000)
Prior Period	(77 276)	(51 312)
Irregular expenditure awaiting further action	658	77 276

	2022 R	2021 R
Irregular expenditure can be summarised as follow:		
Incident		
Over expenditure of petty cash limit	None	875
Over expenditure of petty cash limit	None	346
Over expenditure of petty cash limit	None	312
Supplier non-compliant tax status - Aluzanite	None	34 202
Appointment outside of scope of contract - Zutarl	None	44 000
Supplier non-compliant tax status - Suidpunt Besigheidstrust	None	39 350
Aifa and Omega Network Business Solutions	None	3 724
	1 533	121 276

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

51. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

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

Opening balance	-	-
Council subscriptions	1 998 539	1 726 601
Amount paid - current year	(1 998 539)	(1 726 601)
Amount paid - previous years	-	-
Balance unpaid (Included In creditors)	-	-
	2022 R	2021 R

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

Opening balance	-	-
Current year audit fee	4 729 839	3 923 517
External Audit - Auditor-General	4 729 839	3 923 517
Amount paid - current year	(4 729 839)	(3 923 517)
Amount paid - previous year	-	-
Balance unpaid (Included in creditors)	-	-
	2022 R	2021 R

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

Opening balance	-	-
Current year payroll deductions	25 446 311	23 527 078
Amount paid - current year	(25 446 311)	(23 527 078)
Balance unpaid (Included In creditors)	-	-
	2022 R	2021 R

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

Opening balance	-	-
Current year payroll deductions and Council Contributions	47 357 146	42 032 436
Amount paid - current year	(47 357 146)	(42 032 436)
Balance unpaid (Included In creditors)	-	-
	2022 R	2021 R

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

No Councillors had arrear accounts for more than 90 days as at 30 June 2022.



HESSEQUA LOCAL MUNICIPALITY

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

51.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2006

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

30 June 2022

	Total	Amount	Type of Deviation		Exceptional Circumstances
			Sole Supplier	Emergency	
July	39	3 053 188	-	286 301	2 766 888
August	40	3 324 601	63 509	-	3 261 092
September	38	1 748 574	47 382	5 587	1 695 604
October	32	2 032 531	-	13 397	2 019 134
November	40	886 452	29 946	27 894	828 612
December	31	1 027 679	-	18 309	1 009 370
January	31	276 242	54 862	6 507	214 773
February	39	1 572 381	-	3 997	1 568 384
March	49	1 270 085	76 728	43 388	1 149 969
April	61	1 196 132	-	19 681	1 176 451
May	73	2 411 966	-	73 963	2 338 003
June	102	6 437 538	4 906 447	6 156	1 524 935
	575	25 237 349	5 178 974	505 180	19 553 195

A complete list, including reasons for deviation per transaction, is available. Below are details of a selection of the larger deviations. Amounts are VAT exclusive.

Department	Service	Provider	Reason for deviation	Amount
Corporate Services	77613 - Deviation Software License Agreement - Microsoft EA =- 1 July 2022 to 30 June 2025	Microsoft Ireland Operation	Sole supplier: Microsoft is the sole provider internationally of the MS office and Windows + Server Licenses. The Municipality is reliant on their product which is user friendly and required for user PC's and the server environment that supports the day to day operations. Renewal of Enterprise Enrolment must be done before expiry date of the existing contract through First Technology via SITA. First Technology has been assisting the municipality as license partner since 2013. Failure to renew the agreement will result in the municipality forfeiting any discounts passed under SITA framework agreement.	4 906 447
Financial Services	Appointment of Business Connexions (Pty) Ltd for the migration from the Venus Financial Management System to the Solar Financial Management System	Business Connexion (Pty) Ltd	Exceptional Case: BCX is the owner and current service provider of the Venus financial management system. No other service provider would be capable of assisting with the upgrade of the system and provide the necessary support for a migration	1 889 807
Community Services	Extension of fire fighting contract over 15 months from 1 July 2021 to 31 December 2021	Working on Fire (Pty) Ltd	Exceptional case: As per BAC decision taken 19 March 2021. Working on Fire is the current service provider. The Municipality followed a procurement process, but none of the suppliers were found responsive. This is an essential service and the Municipality is required by law to provide the service. The Hessequa region experiences a lot of fires and the risk of not having the service in place is huge.	1 415 551
Streets, Stormwater and Parks	Deliver a recycling service in the Hessequa area for 12 months from 1 July 2022 to 30 June 2023	Henque Waste	Exceptional case: A decision was taken by Council on 28/04/2022 to advertise a tender for removal of waste. It would be impractical, to follow a process as there is not enough time to appoint a service provider via a tender process. Henque waste was the only supplier who tendered in the previous tenders and they are familiar with the requirements of such a service.	1 402 977

HESSEQUA LOCAL MUNICIPALITY

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

Corporate Services	74647 - Microsoft Annual License Fees 2021/22	Microsoft Ireland Operation	Sole supplier: Microsoft is the sole provider internationally of the MS office and Windows + Server Licenses. The Municipality is reliant on their product which is user friendly and required for user PC's and the server environment that supports the day to day operations. Renewal of Enterprise Enrolment must be done before expiry date of the existing contract through First Technology via SITA. First Technology has been assisting the municipality as license partner since 2013. Failure to renew the agreement will result in the municipality forfeiting any discounts passed under SITA framework agreement.	1 215 323
Corporate Services	Procurement of hardware for the migration of Venus tot the Solar financial management system	Business Connexion (Pty) Ltd	Exceptional case: Quotations were obtained and BCX submitted the cheapest quote. They were appointed as the supplier for the Solar migration and it mitigates the risk as third parties will not be involved in the process due to the exact requirement only being confirmed by the end of October 2021. It casus a risk of the migration process not commencing by January 2022, hence the reason for the deviation..	1 149 387
Financial Services	Vending services management - Ontec - 1 July 2021 - 30 June 2022	Ontec Systems	Exceptional case: It is impractical to follow a procurement process as National Treasury has not yet approved a financial system that complies with MSCOA Regulations that municipalities can use. Ontec is the current service provider and appointing another supplier would lead to additional delays and further costs for set up and installation of a new system..	905 400
Electrical Services	Repair D6R Cat Dozer RD0562 Riversdal	Bubesi Equipment CC	Exceptional Case: The dozer need to be repaired immediately and the supplier is the only supplier that could repair it at that time. The waste area was already full and the dozer was needed to clear the waste. Any delays would cause a health risk and people can become sick due to the health hazard.	471 635

30 June 2021

	Total	Amount	Type of Deviation		Exceptional Circumstances
			Sole Supplier	Emergency	
July	62	2 240 729	67 537	190 687,00	1 982 505
August	57	1 916 381	58 014	71 754,00	1 788 614
September	54	933 773	44 850	16 514,00	872 409
October	57	3 253 792	-	496 557,00	2 757 235
November	44	1 983 230	38 408	9 615,00	1 915 207
December	38	1 771 203	96 904	13 247,00	1 681 052
January	25	355 098	45 069	4 080,00	305 960
February	31	285 677	-	76 243,00	209 434
March	45	1 179 617	13 797	22 620,00	1 143 200
April	28	481 320	-	9 709,00	451 611
May	34	569 853	88 251	8 550,00	472 852
June	83	1 573 322	-	0,00	1 573 322
	558	16 503 795	450 830	919 576,00	15 133 391

A complete list, including reasons for deviation per transaction, is available. Below are details of a selection of the larger deviations. Amounts are VAT exclusive.

Department	Service	Provider	Reason for deviation	Amount
Streets, Stormwater and Parks	Appointment of Spec-Con Engineering for the additional repair works at the Riversdale Reservoir Roof - (Tender: HES TECH 21/1920)	Spec-Con Engineering	Exceptional case: Spec-Con is the supplier that was appointed on tender HES TECH 21/19/20 with the impact of Covid-19. It had a direct impact on the completion of the project. With the removing of the old roof, it was discovered that a lot of damage was done due to erosion that needed to be attended to immediately. The additional work needed to be finalised before the roof project could be completed. It would be impracticable to follow a process as SPEC-CON is already on site and it will therefore be more cost effective if SPEC CON is used to complete the additional work.	1 633 000



HESSEQUA LOCAL MUNICIPALITY

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

Corporate Services	Microsoft Enterprise License fees 2020/21	Microsoft Ireland Operation	Sole supplier: Microsoft is the sole provider internationally of the MS office and Windows + Server Licenses. The Municipality is reliant on their product which is user friendly and required for user PC's and the server environment that supports the day to day operations. Renewal of Enterprise Enrolment must be done before expiry date of the existing contract through First Technology via SITA. First Technology has been assisting the municipality as license partner since 2013. Failure to renew the agreement will result in the municipality forfeiting any discounts passed under SITA framework agreement.	1 279 053
Electrical Services	The appointment of Spectrum Communications (Pty) Ltd for the provision of Telemetric systems (SCADA) for electrical Network	Spectrum Communications	Exceptional case: In order to manage the telemetric system of the municipality effectively and efficiently it is imperative that the same type of telemetric system be used. The current system can efficiently be expanded from the existing Water Works, Wastewater Works and the Electrical Distribution to all the towns in the Hessequa Municipal Area. The shortcomings of the existing SCADA has already been investigated and the works to be carried out will complement the existing setup. Utilising a different service provider will entail that the existing elements be redundant and new components be installed.	1 149 274
Electrical Services	Appointment of Viking Pony Africa for additional cost due to the COVID-19 Pandemic on the Riversdale Waste water Treatment Works Project	VIKING PONY AFRICA PUMPS PTY LTD	Viking Pony was appointed as the Contractor on the Riversdale WWTW Project (Mechanical and Electrical Tender: HES TECH 13/1718. The contract indicates that a taking over certificate be issued once the final retention inspection is concluded. Due to the COVID 19 shutdown all construction activities were suspended until 30 April 2020. Due to the national lockdown the contractor and the municipality could not finalise the final inspection and snag items that might follow, this led to additional contractual cost. The guarantee can only be released back to the contractor once the taking over certificate is issued. Taking over certificate was issued on 10 June 2020.	793 533
Community Services	Extention of fire fighting contract over 15 months from 1 April 2021 - 30 June 2022	Working on Fire (Pty) Ltd	Exceptional case: The market was tested via an open bid / procurement process, however, none of the tenderers were responsive after evaluation. The Municipality is obligated by law to have a Fire Service, therefore the deviation.	707 775
Financial Services	VENDING SERVICES MANAGEMENT - ONTEC	ONTEC Systems	Exceptional case: National Treasury circular 80 of 2016 provides guideline on the implementation of MSCOA. The circular highlights the importance of the integration of sub-systems that should be aligned and intergrated with the MSCOA system. The sub-sytem should intergrate seamlessly and therefore a request to deviate from the official procurement process in order to proceed with the current vending system on a month to month basis until such an intergrated financial system is implemented by Hessequa Municipality.	688 543
Streets, Stormwater and	The appointed of Ikusasa Chemicals: Improvement of water quality in Gouritsmond.	Ikusasa Chemicals	Exceptional case: All the works including the insertion of new membranes have been done by Ikusasa Chemicals, they know the system best. An important factor to consider is that the works have not been operating for a period and was the normal treated process used to treat the water. Since Ikusasa Chemicals have installed the RO membranes they will know best how to get the plant fully operational to ensure that best quality of potable water is provided to the community of Gouritsmond.	454 250
Water, Sewerage and Sanitation	Repair of Orbit Pump Model D22002 M2	Hidro-Tech Systems (Pty) Ltd	Exceptional Case: Rotation register: Repair of Orbit Pump Model D22002 MK2. Repairs were done via the rotation system, which is a SCM process as per the Hessequa Municipal SCM Policy.	229 253

	2022 R	2021 R
51.8 Material losses		
Electricity distribution losses		
Units purchased (Kwh)	92 557 781	93 975 410
Units lost during distribution (Kwh)	8 388 997	9 479 043
Percentage lost during distribution	9,06%	10,09%
Purchase price per kwh:	1,51	R1,28
Distribution loss (Rand Value)	<u>12 681 513</u>	<u>12 169 110</u>

Electrical losses can be placed in two categories, namely Technical and Non-Technical losses.



HESSEQUA LOCAL MUNICIPALITY

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

Technical losses are the losses within the distribution network caused by the resistance to the flow of electricity forming part of items such as overhead lines, cables and transformers. Since Hessequa Municipality provides power to a number of towns (holiday destinations), with a very low load factor, which is also developed along the coast in long narrow sections resulting in long radial electrical feeders, the technical losses are higher than that of the other towns. Faulty meters are replaced as soon as they are reported.

Non-Technical losses are due to:

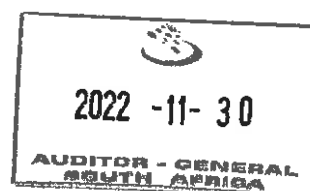
- Illegal connections
- Electricity theft
- Tampering with meters
- Meters not read correctly
- Faulty meters
- By-passing of meters

NERSA indicated that a 12% loss is regarded as normal.

	2022 R	2021 R
Water distribution losses		
Riverdal		
Kiloliters purchased	895 404	881 501
Kiloliters sold	<u>769 837</u>	<u>782 189</u>
Kiloliters lost during distribution	125 567	79 312
Percentage lost during distribution	14,02	9,21%
Cost per kiloliter	0,74	R0,73
Distribution loss (Rand Value)	<u>92 919</u>	<u>57 898</u>
Heidelberg and Witsand		
Kiloliters purchased	493 552	507 858
Kiloliters sold	<u>442 806</u>	<u>486 278</u>
Kiloliters lost during distribution	50 746	21 580
Percentage lost during distribution	10,28	4,25%
Cost per kiloliter	11,27	R10,30
Distribution loss (Rand Value)	<u>571 906</u>	<u>222 274</u>
Slanghoek		
Kiloliters purchased	104 247	100 581
Kiloliters sold	<u>74 409</u>	<u>86 813</u>
Kiloliters lost during distribution	29 838	13 768
Percentage lost during distribution	28,62	13,69%
Cost per kiloliter	9,98	R9,42
Distribution loss (Rand Value)	<u>297 779</u>	<u>129 695</u>
Total amount of water losses	<u>962 603</u>	<u>409 865</u>

Water losses will be considered to be distribution losses and have been written off in the Statement of Financial Performance.

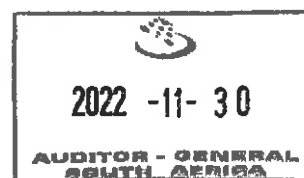
Water Losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported. The loss of water is further indicative of ageing infrastructure assets requiring improved maintenance and upgrading. Council is however currently investigating further possibilities to reduce the loss. The water infrastructure is very old, and millions of Rands is required to finance the backlog.



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
52. FINANCIAL RISK MANAGEMENT		
<p>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.</p>		
(a) Foreign Exchange Currency Risk		
<p>The municipality does not engage in foreign currency transactions.</p>		
(b) Price Risk		
<p>The municipality is not exposed to price risk.</p>		
(c) Interest Rate Risk		
<p>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.</p>		
<p>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.</p>		
<p>The municipality did not hedge against any interest rate risks during the current year.</p>		
<p>The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follows:</p>		
1% (2021: 1%) Increase in interest rates	1 498 632	1 753 714
1% (2021: 1%) Decrease in interest rates	(1 498 632)	(1 753 714)
(d) Credit Risk		
<p>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.</p>		
<p>Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.</p>		
<p>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.</p>		
<p>The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.</p>		
<p>All rates and services are payable within 30 days from invoice date. Refer to note 9 and 10 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.</p>		
<p>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.</p>		



HESSEQUA LOCAL MUNICIPALITY

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

	2022 %	2022 R	2021 %	2021 R
<u>Non-exchange Receivables</u>				
Rates	67,99%	14 800 378	72,28%	14 179 597
Availability Charges	32,01%	7 015 144	27,72%	5 437 443
	<u>100,00%</u>	<u>21 815 522</u>	<u>100,00%</u>	<u>19 617 040</u>
<u>Exchange Receivables</u>				
Electricity	33,57%	20 051 183	36,51%	20 547 656
Water	22,33%	13 335 940	21,21%	11 933 460
Property Rentals	14,13%	8 437 355	12,87%	7 239 976
Waste Management	11,84%	7 072 226	11,03%	6 204 703
Waste Water Management	11,65%	6 960 916	12,40%	6 976 350
Prepayments	4,83%	2 886 993	4,63%	2 607 959
Deposits	0,45%	270 502	0,47%	264 747
Other Sundries	1,19%	710 709	0,89%	500 469
	<u>100,00%</u>	<u>59 725 824</u>	<u>100,00%</u>	<u>56 275 320</u>

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 9 and 10 of the financial statements is an approximation of its fair value.

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

	2022 %	2022 R	2021 %	2021 R
<u>Non-exchange Receivables</u>				
Rates and availability charges	24,54%	9 018 655	23,12%	7 587 483
<u>Exchange Receivables</u>				
Services	75,46%	27 732 127	76,88%	25 232 248
	<u>100,00%</u>	<u>36 750 781</u>	<u>100,00%</u>	<u>32 819 731</u>

The provision for bad debts could be allocated between the different categories of receivables as follows:

	2022 %	2022 R	2021 %	2021 R
Government	0,00%	-	0,00%	-
Industrial	12,72%	4 674 098	12,97%	4 256 410
Residential	87,28%	32 076 685	87,03%	28 563 321
	<u>100,00%</u>	<u>36 750 781</u>	<u>100,00%</u>	<u>32 819 731</u>

	Exchange Receivables	Non-exchange Receivables
<u>Ageing of amounts past due but not impaired are as follows:</u>		
2022		
1 month past due	1 170 923	1 726 731
61 - 90 Days	-	986 283
90 + Days	-	1 971 674
	<u>1 170 923</u>	<u>4 684 688</u>
2021		
1 month past due	2 675 414	1 449 207
61 - 90 Days	-	758 717
90 + Days	-	2 382 941
	<u>2 675 414</u>	<u>4 590 864</u>

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

The banks utilised by the municipality for current and non-current investments are all listed on the JSE. 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.

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.



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R Reclassified
Financial assets exposed to credit risk at year end are as follows:		
Non-Current Receivables from Non-Exchange Transactions	-	3 607
Receivables from exchange transactions	59 725 824	58 275 320
Receivables from non-exchange transactions	94 966 783	91 935 421
Cash and Cash Equivalents	362 609 801	348 602 793
	517 302 407	498 817 142

(e) Liquidity Risk

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

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

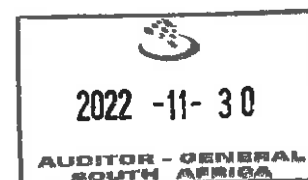
The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their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

	Less than 1 year	Between 2 and 5 years	Between 6 and 10 years	More than 10 years
2022				
Long-term Liabilities	35 135 594	111 293 889	58 975 187	-
Trade and Other Payables	52 458 852	-	-	-
	87 594 446	111 293 889	58 975 187	-
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2021				
Long-term Liabilities	38 873 497	125 003 605	80 050 291	-
Trade and Other Payables	57 339 070	-	-	-
	96 212 567	125 003 605	80 050 291	-
	2022	2021		
	R	R		

53. FINANCIAL INSTRUMENTS

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

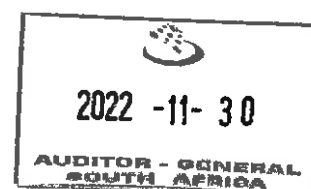
53.1 Financial Assets	Classification		2022 R	2021 R
Current Receivables				
Housing Loans	Financial Instruments at amortised cost			3 607
				Reclassified
Receivables from Exchange Transactions				
Electricity	Financial Instruments at amortised cost		20 051 183	20 547 856
Water	Financial Instruments at amortised cost		13 335 940	11 933 480
Waste Management	Financial Instruments at amortised cost		8 437 355	7 239 976
Waste Water Management	Financial Instruments at amortised cost		7 072 228	8 204 703
Other	Financial Instruments at amortised cost		6 960 916	6 976 350
Receivables from Non-Exchange Transactions				
Availability Charges	Financial Instruments at amortised cost		7 015 144	5 437 443
Cash and Cash Equivalents				
Bank Balances	Financial Instruments at amortised cost		2 504 799	3 079 183
Call Deposits	Financial Instruments at amortised cost		360 105 001	345 523 611
Total Financial Assets			425 482 585	408 945 989



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
Financial Instruments at amortised cost:		
Long-term Receivables		3 607
Receivables from Exchange Transactions	20 051 183	20 547 656
Receivables from Exchange Transactions	13 335 940	11 933 460
Receivables from Exchange Transactions	8 437 355	7 239 976
Receivables from Exchange Transactions	7 072 226	6 204 703
Receivables from Exchange Transactions	6 980 916	6 976 350
Receivables from Non-Exchange Transactions	7 015 144	5 437 443
Cash and Cash Equivalents	2 504 799	3 079 183
Cash and Cash Equivalents	360 105 001	345 523 611
Total Financial Assets	425 482 565	406 945 989
	2022 R	2021 R
53.2 Financial Liabilities		
Long-term Liabilities		
Annuity Loans	149 863 209	173 231 414
Trade Payables	30 291 535	37 356 461
Advance Payments	4 950 750	4 334 179
Other Payables - see detail below	11 381 286	9 526 074
Retentions	5 835 281	6 122 356
	52 458 852	57 339 070
Other liabilities		
Consumer deposits	11 575 638	10 627 813
	11 575 638	10 627 813
Total Financial Liabilities	213 897 699	241 198 298
	2022 R	2021 R
SUMMARY OF FINANCIAL LIABILITIES		
Financial Instruments at amortised cost:		
Long-term Liabilities	149 863 209	173 231 414
Trade and Other Payables	30 291 535	37 356 461
Trade and Other Payables	4 950 750	4 334 179
Trade and Other Payables	11 381 286	9 526 074
Trade and Other Payables	5 835 281	6 122 356
Other liabilities	11 575 638	10 627 813
	213 897 699	241 198 298
	2022 R	2021 R
54. STATUTORY RECEIVABLES		
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
Taxes		
VAT Receivable	851 768	5 079 144
Receivables from Non-Exchange Transactions	87 951 639	86 497 978
Rates	14 900 378	14 179 597
Fines	73 051 261	72 318 381
Total Statutory Receivables (before provision)	88 803 405	91 577 122
Less: Provision for Debt Impairment	(66 613 479)	(84 616 092)
Total Statutory Receivables (after provision)	22 189 926	26 961 030
Statutory Receivables arises from the following legislation:		
Taxes	- Value Added Tax Act (No 69 of 1991)	
Rates	- Municipal Properties Rates Act (No 6 of 2004)	
Fines	- Criminal Procedures Act	
Statutory receivables are initially measured at transaction value, and subsequently at cost.		



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	7 504 021	8 879 898
31 - 60 Days	1 481 045	1 250 995
61 - 90 Days	828 713	649 376
+ 90 Days	5 086 599	5 399 328
Total	14 900 378	14 179 597

	2022 R	2021 R
<u>Reconciliation of Provision for Debt Impairment</u>		
Balance at beginning of year	67 209 539	68 016 594
Contribution to provision	482 843	-
Reversal of provision	(1 078 903)	(807 055)
Balance at end of year	66 613 479	67 209 539

	2022 R	2021 R
<u>Ageing of amounts past due but not impaired:</u>		
1 month past due	1 481 045	1 250 995
61 - 90 Days	438 433	244 084
90 + Days	-	-
	1 919 478	1 495 079

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

	2022 R	2021 R
55. SEGMENT INFORMATION - see attached schedule		

55.1 General Information

Identification of segments

The municipality organises financial information for budgeting purposes on the basis of four major functional areas: energy sources, water management, waste management, waste water management. The segments were organised around the type of service delivered market. Management uses these same segments for determining strategic objectives.

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

Aggregated segments

The municipality does not aggregate any other municipal activities into a General reportable segment.

Types of goods and/or services by segment

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

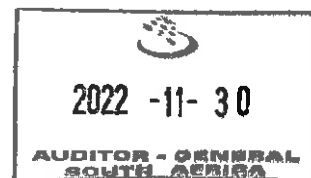
Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Information about geographical areas

Although the municipality operates in a number of geographical wards, it is irrelevant for users of the financial statements as the municipality's geographical areas of operation can be seen as a single geographical area when deciding how to allocate resources.



HESSEQUA LOCAL MUNICIPALITY

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

2022 **2021**
R R

56. PRINCIPAL - AGENT ARRANGEMENTS

56.1 Agent in Principal-Agent Arrangement (Material)

As per Circular R12, 1994 the executive committee at the provincial administration of the Cape of Good Hope and the Department of State expenditure granted authority that an agency fee be paid to local authorities who have been appointed as registering authorities in the Western Cape province for the registration and licensing of motor vehicles in terms of the National Road Traffic Act 93 of 1996.

Hessequa municipality is the agent in this binding agreement and uses its own resources in performing the service delivery and capturing the information on the ENATIS (Electronic National Administration Traffic Information System).

Agency Fee Circular R5.2005 further states that all municipalities must perform weekly pay-overs in terms of MFMA 56 of 2003 section 64(4).

Revenue and expenses from principal-agent transactions:

	Drivers licenses R	Vehicle registrations R	Total R
2022			
Revenue received from third parties	590 520	23 816 029	24 406 549
Payment to provincial traffic department	(333 222)	(21 179 677)	(21 512 899)
Agency fee income	257 298	2 636 352	2 893 650
2021			
Revenue received from third parties	490 980	23 089 108	23 580 088
Payment to provincial traffic department	(277 053)	(20 661 848)	(20 938 901)
	213 927	2 427 260	2 641 187

The municipality was paid 12% commission by the Western Cape province for acting as an agent for acting on its behalf during the financial year.

The services are rendered in all of the towns in the municipality's district. The costing system does not have the functionality to account for the principal-agent expense transactions separately. Therefore no principal-agent specific costs could be disclosed.

56.2 Principal in other Principal-Agent Arrangements (non-material)

The municipality entered into binding agreements with different vendors to distribute pre-paid electricity to third parties and the vendors pay the revenue received over to the municipality. The vendors do not use any of the municipality's resources.

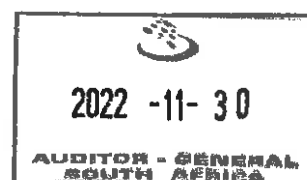
2022 **2021**
R R

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

Compensation paid for agency activities

Total Compensation	726 259	567 456
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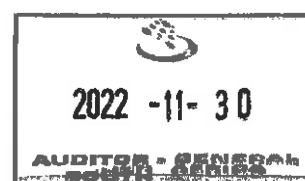
The municipality paid between 1% and 2% commission to vendors for acting as agents on its behalf during the financial year.



HESSEQUA LOCAL MUNICIPALITY

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

	2022 R	2021 R
57. CONTINGENT LIABILITY		
Claims against Council:	<u>7 607 707</u>	<u>7 507 707</u>
<p>The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:</p> <p><i>Description of event</i></p>		
DB Joubert V HM: Applicant claimed damages from the Municipality regarding flood damage suffered a number of years ago. The matter is still ongoing and the Municipality has appointed Attorneys in this regard. R14 708 has already been paid but further costs will be incurred.	40 000	40 000
Breedezicht HOA / HM: High Court Application with regards to maintenance of roads in a private estate.	-	100 000
J Pieters / HM: High Court Application - Injury on Duty	30 000	30 000
Minister of Water & Sanitation / HM: Litigation regarding water sources used and charges relating to water sources. Summons from the High Court was received on 30 November 2020. There have been delays in the matters and correspondence from the Minister was not always clear. The initial conclusion was that the matter would not go ahead.	2 541 904	2 541 904
Cameron Dow & Besoldo Inv CC / HM: Applicant claims that Municipality's sewerage lines or pump station diverts sewerage into his property and toilet system	-	200 000
Fred Carelse - High Court Interdict Application with regards to defamation	200 000	-
Eric Petersen v Albertinia Rangers Rugby Club / HM : Applicant alleges that he entered into an oral agreement with the Municipality for the development of municipal land. Applicant claims damages from the Municipality.	4 595 803	4 595 803
C. Michiel - Labour Court Application - Unfair Labour Practice	50 000	-
Alphaplan Ontwikkelaars CC - Unlawful Enrichment Claim - Dispute Rates Clearance Certificate Costs	50 000	-
Amelia Punt/ Hessequa Municipality and Western Cape Dept. of Transport and Public Works - Claim for damages (Plaintiff fell on a section of a sidewalk and mis-stepped into a hole in the pavement and consequently broken her shoulder)	50 000	-
A. Voss - Labour Court Application - Unfair Labour Practice	50 000	-
	<u>7 607 707</u>	<u>7 507 707</u>
	2022 R	2021 R
58. CAPITAL COMMITMENTS		
<u>Capital Commitments</u>		
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-		
Infrastructure as previously disclosed	13 475 160	9 687 648
Prior year restatement	-	-
Total Capital Commitments	<u>13 475 160</u>	<u>9 687 648</u>
This expenditure will be financed from:		
- Grants and subsidies and external finance	13 475 160	9 687 648
	<u>13 475 160</u>	<u>9 687 648</u>
Including VAT		



HESSEQUA LOCAL MUNICIPALITY

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

59. RELATED PARTIES

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

Related party relationship

Councillors and management comprises of those persons responsible for planning, directing and controlling the activities of the Municipality. The remuneration of councillors is set out in note 31 of the Annual Financial Statements.

59.1 Related Party Loans

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

59.2 Compensation of key management personnel

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

59.3 Current Employee Benefits

The Municipality has current employee benefit obligations and made other non-Employee Related Cost payments towards senior management. The details have been disclosed in note 30.



HESSEQUA LOCAL MUNICIPALITY

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

59.4 Other related party transactions

The municipality procured services from the following service providers, which are considered to be Related Parties as per the definition in the Supply Chain Management Policy:

Company Name	Related Party	Relationship	Municipal Capacity	2022 R	2021 R
Seasons Find 982 CC	YJ Daniels	Admin Clerk	Owner	25 000	-
J.L. du Preez	E du Preez	Clerk	Owner	162 985	74 700,00
HAH Motors T/A Pro Motors	A Stroebel	Councillor	Owner	292 371	438 345,00
CRR Enterprise	CJ Riddels	Handyman	Owner	510 033	378 776,00
N Cronje t/a WG Pompe	M Cronje	Head: Employee relations	Owner	129 959	45 378,63
Story Team	BJ Loristou	Western Cape Department of Education	Director	32 000	-
AFG Muller	C Muller	Riversdal - Department of Health	Owner	77 321	211 951,92
Silverstar Construction	J Michaels	Clerk: Preekstoel	Owner	351 355	356 877,00
Conlog	N Moodiey	Director: Department of Health	Director	33 828	143 546,68
SA Hofmeyr en Seun	Monique Hofmeyr	Dietician: Department of Health	Owner	504 062	130 628,79
Selatlapi Business Enterprise	PC Lerefelo	Assistant Officer: Pre-Payment Development (Eskom)	Owner	281 820	312 297,15
Willvest Twenty Three (Pty) Ltd T/A Urhwebo e Transand	Craig Mostert	Mosselbay Municipality	Owner	6 466 574	2 406 594,20
Mubesko	Litzle Saalman	Curriculum Advisor	Owner	164 220	278 500,59
Aurecon/Zutari	HC Ahlschlager	Legal Representative	Owner	2 432 953	603 289,40
Ikapa Reticulation	Sophia Davids	Teacher	Owner	316 029	102 777,45
Hendrik Johannes Cronje	Charlene Cronje	Secretary: Langenhoven High School	Owner	149 168	38 699,00
Jacque Theart (JJ Theart)	Martha Theart	Secretary: Hessequa Municipality	Owner	13 196	7 000,00
National Validation Services	Reginald Cox	SSA	Owner	5 910	6 030,00
At Dickson	C Hough	Secretary: Hessequa Municipality	Owner	37 185	3 875,00
J.I. Daries	H. Daries	Caretaker	Owner	1 400	-
C.D. Rossouw	Johannes Rossouw	Caretaker	Owner	1 820	-
Royal Haskoning DHV (Pty) Ltd	Bongumusa Nhlakanipho/Siphesighe Ntuli/Salani Wilson Sithole	National Department of Health/Deputy Director/City of Johannesburg: Assistant Director	Owner	2 257 877	-
Jaco Arendse	Petronella Arendse	Teacher: Voorwaarts Primary	Owner	28 347	-
				14 273 411	5 539 267

The transactions were concluded in compliance with the municipality's Supply Chain Management policy. The transactions are considered to be at arm's length.

HESSEQUA LOCAL MUNICIPALITY

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

60. GOING CONCERN

In terms of the accounting Standard GRAP 1, paragraphs 27 to 30, the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality has a constitutional mandate to levy property rates and service charges to enable the municipality to be considered as a going concern even though the municipality will be operational over the short to medium term in a state where liquidity will be under pressure.

Financial constraints to finance capital projects will be resolved by selling parts of Municipal land. The adopted budget of the Municipality indicated that the budget was cash backed. Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the budget.

The municipality has not defaulted on payment of creditors. By sustaining a revenue collection rate above 95%, the municipality has the ability to operate as a going concern and to continue rendering services to its community.

The average creditors payment period is 46.54 days (2021: 67.35 days).

61. EVENTS AFTER REPORTING PERIOD

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

62. COVID-19 RESPONSE EXPENDITURE

On 31st December 2019 the government in Wuhan, China, confirmed that health authorities were treating dozens of pneumonia cases of unknown cause. A few days later, Chinese researchers identified a new virus which had infected many people in Asia, but at that point in time there was no evidence that the virus was readily spread by humans. The first death in China as a result of the virus was reported on 11th January 2020, shortly before one of China's biggest holidays whereby millions of people travelled across the country. According to the first situation report by World Health Organisation (W.H.O), the first confirmed cases outside China had occurred in Japan, South Korea and Thailand by 20th January 2020. The next day the USA reported their first confirmed case where a man in his 30s developed symptoms after returning from his trip to Wuhan, China.

A "public health emergency of international concern" was officially declared by the W.H.O. on 30th January 2020. On 11th February 2020 the W.H.O. proposed that 'Covid-19' be the official name for the disease that the coronavirus causes, an acronym that stands for coronavirus disease 2019. On 14th February 2020 France announced a death from Coronavirus. This was the fourth death from the virus outside of mainland China. On 23rd February 2020 Italian officials locked down 10 towns after a cluster of cases emerged near Milan. The World Health Organisation declared the COVID-19 outbreak as a global pandemic on 11th March 2020.

The pandemic continued throughout the 2020/2021 financial year and is continuing to have devastating effects on the global economy, as well as lives and livelihoods. A Covid-19 weekly Epidemiological Update published by the W.H.O on 29 June 2021 put the cumulative positive Covid-19 cases to date globally at 180 492 131, with the death toll being 3 916 771. Throughout the world, governments imposed various lockdown measures to help combat the spread of the virus, which mutated into different variants over the course of the reporting period. The Pfizer/ BioNTech vaccine was listed for emergency use by the W.H.O on 31 December 2020, making it the first vaccine to receive emergency validation from the W.H.O. Vaccines are currently being administered globally, and are seen as the best chance the world has in overcoming the Covid-19 pandemic.

COVID-19 in South Africa

Although the Coronavirus was international news since December 2019, it was only on 5th March 2020 that the South African National Institute for Communicable Diseases confirmed that a suspected case of COVID-19 had tested positive. On 23rd March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30th March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

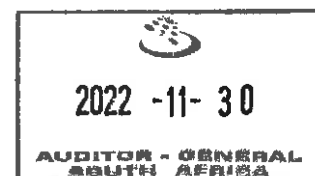
South Africa has been in a National State of Disaster throughout the pandemic, as well as in varying lockdown levels. Government announced the detection of a new variant of the virus on 18 December 2020. The variant was officially called the "Beta" variant. It originated in South Africa and subsequently spread across the world. A Delta variant was also first detected in December in India, and soon became the predominant strain of the virus in India, and thereafter the world (including South Africa). The country approached its third wave of Covid-19 infections towards the end of the current reporting period. A Division of Revenue Amendment Bill was introduced in the National Assembly and published in Government Gazette No 43450 on 18 June 2020. R11 billion was added to the local government equitable share. This bill was introduced to assist the municipal pandemic response.

COVID-19 impact on Municipality

Due to the national state of disaster, various regulatory requirements were instituted in order to ensure that the impact of the spread of the virus is limited. The impact has been devastating to the most vulnerable in our community. As a result of the robust financial model applied by the municipality however, the overall going concern and financial position remains relatively unchanged due to continued support by those members of the community who can afford to do so.

The municipality spent R3 988 712 during 2021/2022. This amount comprised R3 340 198 received from National Treasury (Municipal Disaster Relief Grant), R639 436 own funding and R 9 078 Library Conditional Grant Funding.

An additional Equitable Share amount of R6 236 000 was allocated to the Municipality for Disaster Relief purposes for 2020/2021 financial year, as published in Government Gazette No 43450 on 18 June 2020.



HESSEQUA LOCAL MUNICIPALITY

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

The table below indicates the total Covid-19 response expenditure for the period ending 30 June 2022.

Summary per Category

	2022	2021
	R	R
Subtotal: General	2 083 670	1 994 912
Subtotal: Community & Social Services	1 671 165	487 047
Subtotal: Public Safety	-	53 031
Subtotal: Housing	-	89 639
Subtotal: Health	233 877	271 173
Total COVID- 19 response expenditure	3 988 712	2 895 802

COVID- 19 response expenditure

General

Description	2022	2021
Protective Clothing	653	10 896
Sanitisation of Office Buildings	-	27 703
Bad debts write offs (Businesses)	97 146	206 477
Bad debts write offs (Indigent households)	1 019 812	1 597 491
Capital expenditure	755 473	-
Materials & Supplies	210 396	152 343
Total General	2 083 670	1 994 912

Community & Social Services

Description	2022	2021
Grant in aid- food parcels	1 671 165	478 438
Materials & Supplies- Covid Awareness Initiatives	-	8 609
Total Community & Social Services	1 671 165	487 047

Public Safety

Description	2022	2021
Safeguard & Security	-	53 031,00
Total Public Safety	-	53 031,00

Housing

Description	2022	2021
Bad debts- Rental write offs	-	89 639,46
Total Housing	-	89 639,46

Health

Description	2022	2021
Materials & Supplies	233 877	271 173
Total Health	233 877	271 173

The Covid- 19 response expenditure is funded from the following sources:

Funding

National Treasury	9 078	-
LG Support Grant Humanitarian Relief	639 436	-
Own Funding	3 340 198	2 895 802
	3 988 712	2 895 802



HESSEQUA LOCAL MUNICIPALITY

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

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

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

64. TRUST FUND

Total Trust Fund	<u>2 400 408</u>	<u>2 329 671</u>
Trust Fund consist of the following:		
64.1 Nature Reserve		
Opening Balance	2 024 690	1 970 817
Interest earned	99 056	98 541
Expenditure incurred	<u>(43 568)</u>	<u>(44 668)</u>
Closing balance	<u>2 080 178</u>	<u>2 024 690</u>
64.2 Eleje Kooris		
Opening Balance	304 981	290 458
Interest earned	15 249	14 523
Expenditure incurred	-	-
Closing balance	<u>320 230</u>	<u>304 981</u>



REPORTABLE SEGMENTS REPORT

Management receives on a monthly basis a C Schedule that provides actual amounts at that time per both the department and function.

For management purposes, the municipality is organised and operates in key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level.

The key functional segments consists of:

Primary Segments	Functional Segments - Municipal Organisational Structure	Subs vote	Aggregation	Reportable Segment	Types of Goods/Services delivered
Vote 1 - Office of the Municipal Manager	1.1 - Office of the Municipal Manager		Aggregated	Governance and Administration	Supporting services departments
	1.2 - Mayor and Council		Aggregated	Governance and Administration	Supporting services departments
	1.3 - Internal Audit		Aggregated	Governance and Administration	Supporting services departments
	1.4 - Strategic Services		Aggregated	Governance and Administration	Supporting services departments
	2.1 - Information and Communication Technology, Admin		Aggregated	Governance and Administration	Supporting services departments
	2.2 - Information and Communication Technology, Maintenance		Aggregated	Governance and Administration	Supporting services departments
	2.3 - Human Resources		Aggregated	Governance and Administration	Supporting services departments
	2.4 - Corporate Services		Aggregated	Governance and Administration	Supporting services departments
	2.5 - Legal Services		Aggregated	Governance and Administration	Supporting services departments
	2.6 - Library: Riversdale		Aggregated	Community and public safety	
	2.7 - Library: Sibbald		Aggregated	Community and public safety	
	2.8 - Library: Heidelberg		Aggregated	Community and public safety	
	2.9 - Library: Albertina		Aggregated	Community and public safety	
	2.10 - Library: Goudbonnd		Aggregated	Community and public safety	
2.11 - Library: Slagter		Aggregated	Community and public safety		
Vote 2 - Corporate Services	2.12 - Library: Melkroufontein - Sibbald		Aggregated	Community and public safety	
	2.13 - Library: Dikwatsok - Heidelberg		Aggregated	Community and public safety	
	2.14 - Library: Pries - Albertina		Aggregated	Community and public safety	
	2.15 - Library: Maintenance		Aggregated	Community and public safety	
	2.16 - Library: Maintenance		Aggregated	Community and public safety	
	2.17 - Community Hall: Riversdale		Aggregated	Community and public safety	
	2.18 - Community Hall: Sibbald		Aggregated	Community and public safety	
	2.19 - Community Hall: Heidelberg		Aggregated	Community and public safety	
	2.20 - Community Hall: Goudbonnd		Aggregated	Community and public safety	
	2.21 - Community Hall: Slagter		Aggregated	Community and public safety	
	2.22 - Community Hall: Melkroufontein - Sibbald		Aggregated	Community and public safety	
	2.23 - Community Hall: Wilsand		Aggregated	Community and public safety	
	2.24 - Community Hall: Theonsville - Albertina		Aggregated	Community and public safety	
	2.25 - Community Hall: Civic Centre - Heidelberg		Aggregated	Community and public safety	
2.26 - Community Hall: Mesopis - Albertina		Aggregated	Community and public safety		
2.27 - Community Hall: Kruonskloof - Riversdale		Aggregated	Community and public safety		
2.28 - Community Hall: Repairs and Maintenance		Aggregated	Community and public safety		
2.29 - Museum: Athlone Cinema Riversdale		Aggregated	Community and public safety		
2.30 - Camping Sites: Takkasakof - Riversdale: Admin		Aggregated	Community and public safety		
2.31 - Camping Sites: Ellenau - Sibbald: Admin		Aggregated	Community and public safety		
2.32 - Camping Sites: Goudbonnd: Admin		Aggregated	Community and public safety		
2.33 - Camping Sites: Prieskops: Admin		Aggregated	Community and public safety		
2.34 - Camping Sites: Wes-Kamp - Wilsand: Admin		Aggregated	Community and public safety		
2.35 - Camping Sites: Jongensfontein - Sibbald: Admin		Aggregated	Community and public safety		
2.36 - Camping Sites: Middel-Kamp - Wilsand: Admin		Aggregated	Community and public safety		
2.37 - Camping Sites: Takkasakof - Riversdale: Maintenance		Aggregated	Community and public safety		
2.38 - Camping Sites: Ellenau - Sibbald: Maintenance		Aggregated	Community and public safety		
2.39 - Camping Sites: Goudbonnd: Maintenance		Aggregated	Community and public safety		
2.40 - Camping Sites: Prieskops: Maintenance		Aggregated	Community and public safety		
2.41 - Camping Sites: Wes-Kamp - Wilsand: Maintenance		Aggregated	Community and public safety		
2.42 - Camping Sites: Jongensfontein - Sibbald: Maintenance		Aggregated	Community and public safety		
2.43 - Camping Sites: Middel-Kamp - Wilsand: Maintenance		Aggregated	Community and public safety		



Vote 3 - Financial Services	Vote 4 - Community Services	Vote 5 - Technical Services
3.1 - Office Of The Chief Financial Officer	4.1 - Community Services Admin	5.1 - Land And Buildings: Riversdale: Admin
3.2 - Finance: Revenue	4.2 - Training Centre	5.2 - Land And Buildings: Silbazar: Admin
3.3 - Finance: Budget And Reporting	4.3 - Housing	5.3 - Land And Buildings: Heidelberg: Admin
3.4 - Finance: Expenditure And Reporting	4.4 - Public Safety: Traffic Admin	5.4 - Land And Buildings: Albertina: Admin
3.5 - Finance: Expenditure	4.5 - Public Safety: Traffic Admin	5.5 - Land And Buildings: Goudmond: Admin
3.6 - Finance: Financial Statements	4.6 - Public Safety: Traffic Maintenance	5.6 - Land And Buildings: Slangrivier: Admin
3.7 - Finance: Supply Chain Assets & Insurance	4.7 - Public Safety: Traffic Maintenance	5.7 - Land And Buildings: Wilbrand: Admin
4.1 - Community Services Admin	4.8 - Public Safety: Law Enforcement	5.8 - Land And Buildings: Slangrivier: Admin
4.2 - Training Centre	4.9 - Public Safety: Law Enforcement	5.9 - Land And Buildings: Riversdale: Maintenance
4.3 - Housing	4.10 - Public Safety: Fire Brigade	5.10 - Land And Buildings: Heidelberg: Maintenance
4.4 - Public Safety: Traffic Admin	4.11 - Public Safety: Disaster Management	5.11 - Land And Buildings: Albertina: Maintenance
4.5 - Public Safety: Traffic Admin	4.12 - Public Safety: Pound	5.12 - Land And Buildings: Goudmond: Maintenance
4.6 - Public Safety: Traffic Maintenance	4.13 - Public Safety: Pound	5.13 - Land And Buildings: Slangrivier: Maintenance
4.7 - Public Safety: Traffic Maintenance		5.14 - Land And Buildings: Wilbrand: Maintenance
4.8 - Public Safety: Traffic Maintenance		5.15 - Cemetery: Admin
4.9 - Public Safety: Law Enforcement		5.16 - Cemetery: Maintenance
4.10 - Public Safety: Law Enforcement		5.17 - Parks: Riversdale: Admin
4.11 - Public Safety: Fire Brigade		5.18 - Parks: Silbazar: Admin
4.12 - Public Safety: Disaster Management		5.19 - Parks: Heidelberg: Admin
4.13 - Public Safety: Pound		5.20 - Parks: Albertina: Admin
5.1 - Land And Buildings: Riversdale: Admin		5.21 - Parks: Riversdale: Maintenance
5.2 - Land And Buildings: Silbazar: Admin		5.22 - Parks: Silbazar: Maintenance
5.3 - Land And Buildings: Heidelberg: Admin		5.23 - Parks: Heidelberg: Maintenance
5.4 - Land And Buildings: Albertina: Admin		5.24 - Parks: Albertina: Maintenance
5.5 - Land And Buildings: Goudmond: Admin		5.25 - Sporting Facilities: Riversdale: Admin
5.6 - Land And Buildings: Slangrivier: Admin		5.26 - Sporting Facilities: Silbazar: Admin
5.7 - Land And Buildings: Wilbrand: Admin		5.27 - Sporting Facilities: Heidelberg: Admin
5.8 - Land And Buildings: Slangrivier: Admin		5.28 - Sporting Facilities: Albertina: Admin
5.9 - Land And Buildings: Riversdale: Maintenance		5.29 - Sporting Facilities: Heasloos: Maintenance
5.10 - Land And Buildings: Heidelberg: Maintenance		5.30 - Sporting Facilities: Heasloos: Maintenance
5.11 - Land And Buildings: Albertina: Maintenance		5.31 - Swimming Pool: Tarkenton: Admin
5.12 - Land And Buildings: Goudmond: Maintenance		5.32 - Swimming Pool: Heidelberg: Admin
5.13 - Land And Buildings: Slangrivier: Maintenance		5.33 - Swimming Pool: De Waterkant: Maintenance
5.14 - Land And Buildings: Wilbrand: Maintenance		5.34 - Swimming Pool: Heidelberg: Maintenance
5.15 - Cemetery: Admin		5.35 - Swimming Pool: De Waterkant: Maintenance
5.16 - Cemetery: Maintenance		5.36 - Public Works Admin
5.17 - Parks: Riversdale: Admin		5.37 - Public Works Maintenance
5.18 - Parks: Silbazar: Admin		5.38 - Sewerage: Admin
5.19 - Parks: Heidelberg: Admin		
5.20 - Parks: Albertina: Admin		
5.21 - Parks: Riversdale: Maintenance		
5.22 - Parks: Silbazar: Maintenance		
5.23 - Parks: Heidelberg: Maintenance		
5.24 - Parks: Albertina: Maintenance		
5.25 - Sporting Facilities: Riversdale: Admin		
5.26 - Sporting Facilities: Silbazar: Admin		
5.27 - Sporting Facilities: Heidelberg: Admin		
5.28 - Sporting Facilities: Albertina: Admin		
5.29 - Sporting Facilities: Heasloos: Maintenance		
5.30 - Sporting Facilities: Heasloos: Maintenance		
5.31 - Swimming Pool: Tarkenton: Admin		
5.32 - Swimming Pool: Heidelberg: Admin		
5.33 - Swimming Pool: De Waterkant: Maintenance		
5.34 - Swimming Pool: Heidelberg: Maintenance		
5.35 - Swimming Pool: De Waterkant: Maintenance		
5.36 - Public Works Admin		
5.37 - Public Works Maintenance		
5.38 - Sewerage: Admin		


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5.30 - Sewerage Maintenance	Aggregated	Trading services	Water management, electricity services, waste water management, solid waste management and roads and storm water maintenance
5.40 - Septic Tanks Admin	Aggregated	Trading services	
5.41 - Septic Tanks Maintenance	Aggregated	Trading services	
5.42 - Solid Waste Admin	Aggregated	Trading services	
5.43 - Solid Waste Maintenance	Aggregated	Trading services	
5.44 - Water Admin	Aggregated	Trading services	
5.45 - Water Maintenance	Aggregated	Trading services	
5.46 - Electricity Maintenance	Aggregated	Trading services	
6.1 - Local Economic Development	Aggregated	Economic and environmental services	Supporting service departments
6.2 - Tourism	Aggregated	Other	Management of tourism
6.3 - Town Planning	Aggregated	Economic and environmental services	Town planning services
6.4 - Nature Conservation	Aggregated	Economic and environmental services	Management of nature conservation

Secondary Segments	Aggregation	Reportable Segment	Types of Goods/Services delivered
Maced Functional Segments Identified	Aggregated	Governance and Administration	Supporting service departments
• Governance and Administration	Aggregated	Governance and Administration	Supporting service departments
• Community and public safety	Aggregated	Governance and Administration	Supporting service departments
• Economic and environmental services	Aggregated	Community and public safety	Library services, Community halls, rentals and recreation centres
• Trading services	Aggregated	Community and public safety	Supporting service departments
• Other	Aggregated	Governance and Administration	Supporting service departments
	Individually Reported	Governance and Administration	Supporting service departments
	Aggregated	Economic and environmental services	Building plans
	Individually Reported	Governance and Administration	Supporting service departments
	Individually Reported	Energy sources	Supporting service departments
	Individually Reported	Water management	Electricity services
	Individually Reported	Waste water management	Water management
	Individually Reported	Waste management services	Waste water management
	Aggregated	Governance and Administration	Waste management services
	Aggregated	Other	Supporting service departments
	Aggregated	Governance and Administration	Airfield Rental
	Aggregated	Other	Supporting service departments
	Aggregated	Governance and Administration	Licensing
	Aggregated	Governance and Administration	Supporting service departments
	Aggregated	Other	Tourism

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any). Management does not monitor performance geographically as it does not at present have reliable separate financial information for decision making purposes. The cost to develop this separately would be excessive.

HESSEQUIA LOCAL MUNICIPALITY

PRIMARY REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2022

Test Budget B3 Schedule

SEGMENT REVENUE	Office of the Municipal Manager		Corporate Services		Financial Services		Community Services		Technical Services		Spatial Planning and Environmental Management		Total
	R	R	R	R	R	R	R	R	R	R	R		
External revenue from exchange transactions	845 830	14 761 375	20 388 977	3 611 652	294 731 482	4 068 967							330 308 213
Service Charges - Electricity Revenue					185 688 273								185 688 273
Service Charges - Water Revenue					49 252 220								49 252 220
Service Charges - Sanitation Revenue					25 482 338								25 482 338
Service Charges - Refuse Revenue					31 188 533								31 188 533
Rent of Facilities and Equipment		247 001		160 008									407 009
Interest Earned - External Investments			16 380 443										16 380 443
Interest Earned - Outstanding Debtors			156 470										156 470
License and Permits									1 064 450				1 064 450
Agency Services								2 863 048					2 863 048
Other Revenue	645 830	14 614 374	862 064	557 308					1 282 945			4 946 867	29 021 119
External revenue from non-exchange transactions	51 429 012	8 917 287	117 170 227	82 151 151	36 754 000	10 970 322							289 359 800
Property Rates			112 949 907										112 949 907
Fines		31 629	1 788 159	80 106 577	5 000								81 931 652
Interest Earned - Outstanding Debtors			551 001										551 001
Availability Charges									10 448 531				10 448 531
Licenses and Permits					1 056 764								1 056 764
Agency Services										328 428			328 428
Transfers Recognised - Operational	51 427 725	8 950 428	2 007 357	425 329	1 853 838	452 658							65 117 931
Gain	(813)	(64 785)	(26 197)	(40 819)	26 449 531	10 188 240							36 515 177
Revenue from transactions with other segments		4 048 108	14 813 900		27 372 317								48 228 325
Internal Revenue		4 048 108	14 813 900		27 372 317								48 228 325
Total Segment Revenue (excluding capital transfers and contributions)	62 272 743	27 721 770	152 373 104	85 762 803	380 858 968	15 946 210							674 687 337
SEGMENT EXPENDITURE													
Employee Related Costs	12 846 518	31 489 434	26 354 078	22 064 884	66 395 856	11 461 817							102 032 564
Remuneration of Councillors	7 828 971												7 828 971
Debt Impairment			3 413 450	41 696 337	6 900 789								57 010 540
Depreciation and Asset Impairment	63 489	1 016 523	874 843	25 637 577	55 503								28 011 057
Finance Charges			186 088	250 390	19 035 055								19 467 529
Bulk Purchases					141 118 373								141 118 373
Other Materials	34 809	2 221 040	480 482	2 598 908	29 461 314	478 810							32 245 168
Contracted Services	1 830 872	4 136 447	1 374 208	13 128 471	13 745 622	1 020 857							35 239 678
Transfers and Grants	2 078 151	45 290		11 880		709 000							3 444 861
Other Expenditure	4 483 512	6 473 201	4 354 116	1 447 608	23 180 770	890 428							40 859 831
Impairment Losses		1 204 350			6 127 078								10 421 428
Internal charges		6 844 889		285 228	38 116 208								46 228 325
Total Segment Expenditure	20 876 108	54 311 232	38 138 871	85 337 188	384 898 836	14 817 118							615 180 182
Surplus/(Deficit)	22 396 635	(26 589 462)	116 233 432	(19 674 385)	(34 040 138)	1 331 101							59 757 186
Transfers Recognised - Capital		771 618		52 355 203	10 017 380	755 473							73 799 679
Contributions Recognised - Capital													0
Contributor Assets													0
Surplus/(Deficit) after Capital Transfers & Contributions	22 396 635	(25 604 843)	116 233 432	32 780 818	(14 122 750)	2 086 573							133 070 865
Taxation													0
Surplus/(Deficit) after Taxation	22 396 635	(25 604 843)	116 233 432	32 780 818	(14 122 750)	2 086 573							133 070 865
Attributable to Minorities													0
Surplus/(Deficit) attributable to Municipality	22 396 635	(25 604 843)	116 233 432	32 780 818	(14 122 750)	2 086 573							133 070 865
Share of Surplus/(Deficit) of Associate													0
Surplus/(Deficit) for the year	22 396 635	(25 604 843)	116 233 432	32 780 818	(14 122 750)	2 086 573							133 070 865

-133 070 865,46



**HESSEQUIA LOCAL MUNICIPALITY
SECONDARY REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2022**

	Community and public safety			Economic and environmental services			Trading services			Other	Total
	R	R	R	R	R	R	R	R	R		
SEGMENT REVENUE											
External revenue from exchange transactions	19 007 893	5 010 117	164 260 719	40 890 634	28 842 000	31 654 433	24 765 851	-	-	330 308 213	
Services Charges - Electricity Revenue	-	-	185 888 273	46 262 220	-	-	-	-	-	185 888 273	
Services Charges - Water Revenue	-	-	-	-	25 462 336	-	-	-	-	25 462 336	
Services Charges - Sanitation Revenue	-	-	-	-	-	31 190 633	-	-	-	31 190 633	
Rental of Facilities and Equipment	455 845	22 951	-	-	-	-	2 942 020	-	-	3 400 720	
Interest Earned - External Investments	-	-	-	-	-	-	19 380 443	-	-	19 380 443	
Interest Earned - Outstanding Debtors	-	-	-	-	-	-	156 470	-	-	1 820 819	
Licenses and Permits	2 863 848	-	372 446	597 858	340 328	544 019	-	-	-	2 863 848	
Agency Services	15 878 308	4 687 265	-	26 667	-	41 882	2 266 919	-	-	23 021 119	
Other Revenue	70 890 337	12 002 802	6 545 626	2 823 227	2 865 600	-	195 371 924	1 875	-	259 359 800	
External revenue from non-exchange transactions											
Property Rates	80 138 503	-	5 000	-	-	-	112 849 807	-	-	112 849 807	
Fines	-	-	-	-	-	-	1 788 166	-	-	1 788 166	
Interest Earned - Outstanding Debtors	-	-	-	-	-	-	551 001	-	-	551 001	
Availability Charges	1 030 764	-	5 469 146	2 206 726	2 708 657	-	-	-	-	10 446 531	
Licenses and Permits	-	-	328 420	-	-	-	-	-	-	1 888 160	
Agency Services	6 180 868	1 602 901	81 317	710 450	-	-	-	-	-	65 117 331	
Transfers Recognised - Operational	(78 497)	10 171 274	(18 837)	(56 867)	(23 148)	-	29 522 487	(146)	-	39 516 177	
Gain	-	217 728	18 488 265	2 787 609	5 570 346	368 088	19 887 038	-	-	48 229 325	
Revenue from transactions with other segments	-	217 728	18 408 265	2 787 809	5 570 348	388 090	18 857 038	-	-	48 229 325	
Internal Revenue	86 877 230	17 230 446	210 214 810	52 577 870	34 088 524	31 942 490	236 964 894	1 875	-	874 937 337	
Total Segment Revenue (excluding capital transfers and contributions)											
46 867 285	30 457 807	13 246 638	13 560 155	12 570 387	12 421 744	55 089 144	410 365	-	-	102 632 564	
44 859 307	-	967 937	3 877 874	2 620 648	2 842 082	2 288 501	7 929 971	-	-	57 010 540	
5 370 685	6 059 383	3 752 041	4 169 338	5 255 745	1 426 333	1 559 111	16 032	-	-	28 611 057	
734 470	3 100 706	4 622 242	2 658 344	3 553 481	4 229 629	287 460	-	-	-	19 487 623	
-	-	141 118 373	-	-	-	-	-	-	-	141 118 373	
6 938 645	6 742 277	3 746 872	9 852 480	2 600 891	2 221 329	1 400 877	42 010	-	-	32 246 106	
16 264 121	4 888 275	1 309 801	1 845 582	2 506 556	2 405 173	5 936 353	97 618	-	-	36 239 676	
142 140	404 600	-	-	-	-	2 593 151	305 000	-	-	3 444 891	
3 103 634	2 405 445	4 590 890	2 891 021	1 112 272	1 102 218	28 614 047	319 637	-	-	40 809 831	
7 629 160	70 417	15 758 330	6 794 578	6 858 282	6 832 338	5 967 219	-	-	-	48 229 325	
Total Segment Expenditure	132 046 160	83 125 913	189 788 205	45 211 271	38 969 242	27 372 843	117 435 537	1 190 790	-	815 180 152	
Surplus/(Deficit)	(42 168 866)	(45 865 487)	20 416 405	7 360 389	(4 900 719)	4 586 899	121 569 887	(1 188 121)	-	59 787 186	
Transfers Recognised - Capital	-	-	-	-	-	-	-	-	-	-	
Contributions Recognised - Capital	53 720 821	3 200 382	4 665 059	10 025	10 828 041	-	1 170 383	-	-	73 700 679	
Contributed Assets	123 000	-	-	-	-	-	-	-	-	123 000	
Surplus/(Deficit) after Capital Transfers & Contributions	11 680 854	(42 665 065)	25 081 464	7 376 423	6 027 323	4 586 899	122 729 450	(1 188 121)	-	133 670 885	
Taxation	-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) after Taxation	11 680 854	(42 665 065)	25 081 464	7 376 423	6 027 323	4 586 899	122 729 450	(1 188 121)	-	133 670 885	
Attributable to Minorities	-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) Attributable to Municipality	11 680 854	(42 665 065)	25 081 464	7 376 423	6 027 323	4 586 899	122 729 450	(1 188 121)	-	133 670 885	
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) for the year	11 680 854	(42 665 065)	25 081 464	7 376 423	6 027 323	4 586 899	122 729 450	(1 188 121)	-	133 670 885	



APPENDIX A - Unaudited
HESSEQUA LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2022

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2021	Received during the period	Redeemed written off during the period	Balance at 30 June 2022
ANNUITY LOANS							
Development Bank	10,485%	61006812	2021/06				-
ABSA Bank	10,20%	4068858722	2027/06	14 273 044		(1 828 592)	12 444 452
Nedbank	9,01%	57831031707	2022/06	3 529 573		(3 529 573)	-
Development Bank	8,90%	61007148	2023/06	4 468 469		(2 136 882)	2 331 587
Development Bank	9,98%	61007233	2024/06	10 188 210		(3 070 535)	7 117 675
Standard Bank	11,26%	536633	2026/06	27 253 313		(4 326 411)	22 926 902
Development Bank	9,20%	61007562	2029/06	25 959 228		(2 319 268)	23 639 960
Standard Bank	7,78%	606256	2030/06	27 486 838		(2 207 755)	25 279 083
Standard Bank	8,85%	654745	2031/06	60 072 740		(3 949 188)	56 123 552
TOTAL EXTERNAL LOANS				173 231 415	-	(23 368 204)	149 863 211

Appendix B - Unaudited

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2022

	Opening Balance		Additions		IGRAP 2 Adjustments		Fair Value Adjustment		Under Construction additions		Transfers due to unbundling		Transfer from Inventory		Disposals/Transfer		Closing Balance		Opening Balance		Additions - Depreciation		Disposals - Depreciation		Impairment Loss		Closing Balance		Carrying Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Land and Buildings																														
Land	163,487,744	-	1,310,057	-	-	-	-	-	283,231	(1,310,057)	-	-	-	-	8,000	-	163,778,975	17,884,148	2,658	-	10,421,426	-	-	-	-	-	28,308,233	135,470,742		
Buildings	61,591,329	-	978,698	-	-	-	-	-	940,922	1,159,888	-	-	-	-	-	-	64,670,848	34,842,925	1,321,590	-	-	-	-	-	-	35,864,515	28,708,332			
	225,079,073	-	2,288,755	-	-	-	-	-	1,224,153	(1,159,169)	-	-	-	-	8,000	-	228,449,823	82,827,074	1,324,948	-	10,421,426	-	-	-	-	64,272,748	164,177,074			
Investment Property																														
Land and Buildings	74,145,176	-	-	-	-	-	17,487,157	-	-	-	-	-	-	-	(147,000)	91,485,333	91,485,333	-	-	-	-	-	-	-	-	-	-	91,485,333		
	74,145,176	-	-	-	-	-	17,487,157	-	-	-	-	-	-	-	(147,000)	91,485,333	91,485,333	-	-	-	-	-	-	-	-	-	-	91,485,333		
Intangible Assets																														
Water Rights	400,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400,000	400,000	167,777	13,333	-	-	-	-	-	-	161,110	218,890			
Software	57,430	-	190,120	-	-	-	(57,430)	-	-	-	-	-	-	-	(57,430)	190,120	190,120	55,427	2,953	(57,430)	-	-	-	-	-	(0)	190,120			
	457,430	-	190,120	-	-	-	(57,430)	-	-	-	-	-	-	-	(57,430)	190,120	190,120	113,204	2,953	(114,860)	-	-	-	-	-	161,110	408,910			
Infrastructure																														
Sewerage																														
Purification	78,484,206	-	17,486,113	-	-	-	-	-	20,240,022	(9,051,863)	-	-	-	-	-	107,158,478	18,562,222	2,394,421	-	-	-	-	-	-	-	-	20,956,643	86,201,835		
Outfall Sewerage	2,581,457	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,581,457	2,581,457	89,600	89,600	-	-	-	-	-	-	1,853,803	897,654			
Reticalation	75,429,485	-	499,989	-	-	-	-	-	219,325	(2,919,959)	-	-	-	-	-	74,228,620	15,623,946	1,521,175	-	-	-	-	-	-	-	17,045,121	57,183,699			
Water																														
Water Meters	4,463,588	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,463,588	4,463,588	1,827,203	133,665	-	-	-	-	-	-	1,960,868	2,502,721			
Reticalation Network	56,887,788	-	3,891,110	-	-	-	-	-	-	2,249,308	-	-	-	-	-	63,128,216	13,022,584	1,808,398	-	-	-	-	-	-	-	14,830,992	48,287,224			
Pump Stations	4,358,024	-	1,000,000	-	-	-	-	-	-	(1,000,000)	-	-	-	-	-	4,358,024	2,852,810	211,033	-	-	-	-	-	-	-	3,063,843	1,284,160			
Purification Works	47,003,305	-	-	-	-	-	-	-	1,368,872	(2,041,268)	-	-	-	-	-	46,330,909	7,579,970	1,568,804	-	-	-	-	-	-	-	8,148,774	37,182,135			
Reservoirs/Tanks	44,343,195	-	-	-	-	-	-	-	-	2,865,081	-	-	-	-	-	46,848,286	10,575,286	1,050,877	-	-	-	-	-	-	-	11,626,163	35,222,124			
Electricity																														
Power Stations	390,028	-	521,516	-	-	-	-	-	135,000	(521,516)	-	-	-	-	-	525,028	234,014	22,844	-	-	-	-	-	-	-	258,858	268,170			
Transformer Kiosks	7,564,440	-	-	-	-	-	-	-	568,348	-	-	-	-	-	-	8,152,788	1,443,577	159,803	-	-	-	-	-	-	-	1,803,380	8,549,408			
Substations	65,293,823	-	-	-	-	-	-	-	1,875,989	3,863,708	-	-	-	-	-	71,133,520	7,568,746	1,425,463	-	-	-	-	-	-	-	8,952,209	62,141,311			
Streetlights	13,533,089	-	3,753,508	-	-	-	-	-	-	(3,753,508)	-	-	-	-	-	13,533,089	3,740,217	415,389	-	-	-	-	-	-	-	4,155,526	9,377,543			
Electricity Meters	795,365	-	-	-	-	-	-	-	-	-	-	-	-	-	-	795,365	48,214	23,032	-	-	-	-	-	-	-	71,246	724,119			
Mains	81,235,616	-	-	-	-	-	-	-	2,464,915	(1,068,233)	-	-	-	-	-	82,635,297	10,731,263	1,251,210	-	-	-	-	-	-	-	11,982,473	50,652,824			
Solid Waste	1,825,580	-	144,890	-	-	-	-	-	-	-	-	-	-	-	-	1,970,470	893,272	89,729	-	-	-	-	-	-	-	693,001	977,478			

Appendix B - Unaudited

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2022

	Opening Balance		Additions		IGRAP 2 Adjustments		Fair Value Adjustment		Under Construction additions		Transfers due to unbundling		Transfer from Inventory		Disposals Transfer		Closing Balance		Accumulated Depreciation and - Impairments		Carrying Value	
	R		R		R		R		R		R		R		R		R		R		R	
Roads and Stormwater																						
Motorways	186 864 211		35 434 142		-		-			(25 952 460)					(61 403)		209 354 485					151 902 862
Stormwater	111 378 899		8 133 449		-		-			37 180 534					-		157 702 982					139 019 032
Parking Areas	455 102		-		-		-			-					-		455 102					385 522
Footpaths	4 085 383		250 191		-		-			(250 191)					-		4 085 383					3 707 144
	761 113 596		72 234 918		-		-		26 872 468	(877 397)					(61 403)		679 482 177					604 256 914
Community Assets																						
Cemeteries	4 593 209		1 171 742		-		-			-					-		5 764 951					3 703 862
Sport Grounds	32 775 258		1 759 559		-		-			-					-		34 534 817					24 632 850
Parks	9 086 975		258 895		-		-		12 452	(145 000)					-		9 215 322					4 708 825
Public Conveniences	5 214 027		418 341		-		-			81 958					-		5 715 326					4 663 989
	81 668 469		3 508 537		-		-		12 452	(150 042)					-		85 230 416					37 405 924
Heritage Assets																						
Mayoral chairs	30 000		-		-		-			-					-		30 000					30 000
Art Collections, antiquities and other	8 389 455		93 000		-		-			-					-		8 482 455					8 482 485
	8 429 455		93 000		-		-			-					-		8 522 455					8 522 485

Appendix B - Unaudited

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2022

	Opening Balance		Additions		IGRAP 2 Adjustments		Fair Value Adjustment		Under Construction additions		Transfers due to unbundling		Transfer from Inventory		Deposits Transfer		Closing Balance		Opening Balance		Additions - Depreciation		Deposits - Depreciation		Impairment loss		Closing Balance		Carrying Value					
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R					
Other Assets																																		
Emergency Equipment																																		
Emergency	5 924 833		46 481		-										(35 359)			5 935 966	779 034			252 781	(12 281)				1 015 534			4 920 433				
Plant/Equipment																																		
Graders and Frontloaders	7 785 917		4 178 781		-												11 964 698	3 319 503			457 011						3 776 514			8 188 183				
Tractors	2 957 380				-										(8 000)		2 957 380	6 282			142 483					1 699 009			1 088 342					
Boats	85 130				-										(14 745)		47 130	876 643			2 891					3 927			43 203					
Lawnmowers	1 975 036		50 574		-										(14 745)		2 010 815	48 808			98 822					867 592			1 043 224					
Compressors	66 840				-										(14 952)		52 248	3 272			3 272					37 810			14 538					
Other Plant and Equipment	12 774 609		127 224		-										(229 244)		12 672 589	4 788 859			667 124					5 324 267			7 348 393					
Motor/Vehicles																																		
Sedans	4 117 394				-												4 117 394	1 606 666			255 265					1 862 931			2 254 462					
Motor Cycles	100 421				-											100 421	73 020			5 251						78 271			22 150					
Trailers	4 982 648		4 819		-										(1 844)		4 165 222	1 165 398			185 044					1 399 769			2 795 433					
Trucks/LDV's	42 773 605		1 271 338		-											44 044 942	13 400 354			2 108 238						15 508 562			28 536 350					
Office Equipment																																		
Computer Equipment	9 737 323		2 137 675		-										(154 846)		11 720 152	2 753 243			524 944					3 298 901			8 421 251					
Other Equipment	993 865				-										(27 345)		955 549	423 979			45 313					462 391			513 560					
Office Machines	2 642 803		2 485		-										(53 027)		2 592 241	1 427 572			149 577					1 547 491			1 044 750					
Furniture and Fittings	8 493 479		354 665		-										(56 170)		8 791 973	2 605 923			338 615					2 925 316			5 696 656					
Security Equipment																																		
Security	138 920				-											138 920	97 170			11 808						108 978			29 941					
Landfill site rehabilitation																																		
Landfill site rehabilitation	37 478 332				-											64 195 035	37 345 967			814 978						38 160 945			26 034 090					
TOTAL	142 176 455		8 173 682		-										(853 659)		144 023 402	387 202 536			26 611 057 21					545 796 184			104 438 209					
	1 283 072 714		88 590 011		-										(887 597)		1 440 234 402	3 207 202 536			26 611 057 21					2 465 796 184			1 094 438 209					

APPENDIX C
HESSEQUA LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022
MUNICIPAL VOTES CLASSIFICATIONS

2021 Actual Income R	2021 Actual Expenditure R	2021 Surplus/ (Deficit) R	2022 Actual Income R	2022 Actual Expenditure R	2022 Surplus/ (Deficit) R
587 224	(1 912 732)	(1 325 508)	-	(1 397 586)	(1 397 586)
51 935 330	(30 021 450)	21 913 880	55 813 800	(27 930 424)	27 883 376
143	(1 720 913)	(1 577 770)	-	(1 847 803)	(1 847 803)
-	(2 544 443)	(2 544 443)	-	(2 282 013)	(2 282 013)
3 852 458	(6 939 312)	(3 086 854)	4 080 034	(7 263 519)	(3 183 485)
331 022	(6 812 168)	(6 481 146)	282 871	(7 171 570)	(6 888 699)
1 854	(2 825 008)	(2 823 154)	-	(3 234 462)	(3 234 462)
8 810	(6 222 571)	(6 213 761)	9 612 295	(6 450 828)	(6 450 828)
9 103 862	(9 028 815)	74 747	9 247 001	(8 920 305)	326 696
150 120	(4 587 480)	(4 437 360)	14 348 152	(5 318 961)	(5 071 809)
9 508 885	(13 303 687)	(3 794 802)	123 000	(15 363 146)	(1 014 894)
107 630	(590 888)	(393 258)	-	(613 031)	(490 031)
30 843 524	(5 441 225)	25 402 299	33 044 078	(5 898 474)	27 145 604
-	(1 977 858)	(1 977 858)	-	(1 997 627)	(1 997 627)
-	(18 020)	(18 020)	-	(44 840)	(44 840)
103 030 815	(14 144 347)	88 886 468	114 278 585	(17 047 572)	97 231 013
-	(3 644 332)	(3 644 332)	-	(3 982 322)	(3 982 322)
118 337	(5 681 308)	(5 562 971)	76 540	(6 130 075)	(5 953 535)
55 412	(1 862 110)	(1 806 698)	52 848	(2 168 046)	(2 115 198)
3 165 516	(1 801 275)	1 364 243	52 826 311	(1 816 138)	50 709 173
-	(1 082 704)	(1 082 704)	-	(1 238 358)	(1 238 358)
115 214	(7 629 745)	(7 514 531)	-	(8 071 373)	(7 956 163)
-	(1 224 538)	(1 224 538)	148 793	(1 646 438)	(1 497 645)
5 202	(895 059)	(889 857)	6 300	(892 502)	(886 202)
80 645 608	(61 517 439)	19 128 169	65 198 441	(85 549 406)	(20 350 965)
4 298	(2 448 684)	(2 444 386)	127 133	(2 870 081)	(2 742 948)
9 260 321	(11 230 555)	(1 970 234)	31 847 144	(30 865 368)	981 776
188 711	(1 605 472)	(1 416 761)	239 009	(1 397 868)	(1 158 859)
37 886	(10 045 333)	(9 997 447)	-	(10 517 858)	(10 517 858)
5 650 450	(2 077 363)	3 573 087	1 028 844	(3 048 168)	(2 020 324)
34 887	(1 870 140)	(1 835 253)	-	(1 474 515)	(1 423 183)
2 221 778	(43 504 317)	(41 282 538)	3 854 822	(47 444 028)	(43 589 106)
22 510 528	(30 308 075)	(7 797 547)	34 457 891	(34 637 116)	(179 125)
8 159 861	(3 860 033)	4 299 828	10 391 722	(4 381 771)	6 009 951
27 833 798	(23 267 070)	4 566 728	31 862 489	(27 372 943)	4 489 546
50 576 000	(41 333 787)	9 242 213	52 844 551	(45 268 228)	7 576 323
192 550 804	(166 277 847)	26 272 957	214 898 508	(189 817 041)	25 081 467
-	-	-	-	-	-
-	(628 733)	(628 733)	908 308	(1 583 374)	(675 066)
518	(941 064)	(422 546)	1 820	(1 182 210)	(1 180 390)
4 145 140	(5 888 539)	(1 743 399)	15 172 562	(6 684 435)	8 488 127
525 708	(4 987 045)	(4 371 337)	828 428	(5 183 284)	(4 354 856)
588 283 692	(642 925 872)	(55 327 776)	752 819 295	(618 238 430)	134 580 865
(42 491 110)	42 491 116	-	(46 229 325)	46 229 325	-
555 792 576	(500 434 756)	55 327 776	708 688 971	(573 007 105)	135 681 866

Appendix D - Unaudited

APPROPRIATION STATEMENT AT 30 JUNE 2022

Capital Budget - (budget schedule 05)
Figures in Rand

FUNCTIONAL classification	Original budget	Budget Adjustments (i.e. 050 and 031 of the MPEFA)	Final Adjustment Budget	Virement (L.A. Council approved By-law)	Final Budget	Actual Outcomes	% Variance on final Budget	
Governance and administration	5 613 900	3 072 049	8 685 949	0	8 685 949	4 853 679	(17)	Savings on purchases of Laptop (Municipal Manager Secretary), 17 Laptops (Councilors) and Cupboard (Mayor)
Executive And Council	305 000	0	305 000	0,00	305 000	253 682	(17)	
Internal Audit	2 500	0	2 500	0,00	2 500	1 612	(36)	
Finance And Administration	5 506 400	3 072 049	8 578 449	0,00	8 578 449	4 598 385	-46,40	Savings on Upgrading of Cashier points (Stillbay), Burglar proofing at S.A.P.S Municipal Building (Stillbay), Test Driving Range (Riversdale), Stairs (Riversdale), Hyper Converge Server (ICT) and Money Counting Machines Cashiers (Finance). Rolled over a part of the funds for the Main Frame Computer system to 2022/23 after implementation was extended to September 2022. Unspent funds for New Business HUB (Kwanokuthula) will be rolled over to 2022/23 to complete the contract.
Community and public safety	32 891 400	19 692 911	52 584 311	0,00	52 584 311	51 026 877	-2,89	Savings on Extension of Cemetery(Stillbay) and Upgrading of Library (Stillbay)
Community And Social Services	1 027 800	1 400 311	2 428 111	0,00	2 428 111	2 232 287	-8,06	
Housing	29 835 000	16 337 000	46 172 000	0,00	46 172 000	46 337 963	0,36	
Sport And Recreation	608 400	1 690 300	2 538 700	0,00	2 538 700	2 413 408	-4,94	
Public Safety	1 220 200	25 000	1 245 200	0,00	1 245 200	49 020	-96,55	Savings on Fire Hydrants(Riversdale & Heidelberg), No spending on Upgrade of Fire Station (Still Bay), Fire Fighting Trailer and Hazmat
Economic and environmental services	8 699 078	768 682	10 378 760	2 347 939,00	12 726 699	10 814 124	-16,03	Savings on purchase of Laptops (Town Planning), Upgrading of Hawker Stalls (Heidelberg) and Upgrading of Business Hub
Planning And Development	75 000	760 000	835 000	0,00	835 000	723 186	-13,36	Saving on Upgrading of Roads & Stormwater (Heidelberg & Still Bay). Roll over of funds to 2022/23 for Multi-Purpose Loader due
Road Transport	9 027 078	43 982	9 071 060	2 347 939,00	11 418 999	9 619 484	-15,78	
Environmental Protection	488 000	-15 300	472 700	0,00	472 700	471 464	-0,26	
Trading Services	39 290 513	12 967 646	52 258 061	-2 347 939,00	49 910 122	47 995 582	-3,84	Savings on Streetlights Retrofitting (energy efficiency), Electrification of Low cost housing (Melkhoutfontein) and Link
Energy Sources	13 696 633	-3 847 565	9 848 968	0,00	9 848 968	9 343 713	-5,13	
Waste Management	4 650 000	-328 328	4 323 672	0,00	4 323 672	4 323 671	0,00	
Waste Water Management	18 493 960	15 689 713	34 333 693	-2 347 939,00	32 045 754	30 656 266	-3,71	Savings on Upgrading of Sewerage works (Riversdale) and Returbish & Upgrading of WWTW (Albertinia)
Water Management	2 450 000	1 241 728	3 691 728	0,00	3 691 728	3 468 910	-6,01	
Other	12 000	0	12 000	0,00	12 000	9 043	-24,64	
Total	87 397 891	36 520 890	123 918 781	0	123 918 781	114 699 085	-7,44	

APPENDIX E
HESSEQUIA LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2021	Contributions during the year	Repaid to National Revenue Fund	Operating Expenditure Transferred to Revenue	Capital Expenditure Transferred to Revenue	Balance 30 June 2022
National Government Grants						
Equitable Share - Conditional Grant	3 340 198	48 843 000	-	(48 843 000)	-	-
Finance Management Grant	-	1 550 000	-	(1 550 000)	(755 473)	(755 473)
Municipal Infrastructure Grant	0	14 181 000	-	(709 050)	(13 471 950)	(13 471 950)
Integrated National Electrification Grant	74 982	1 154 000	-	(1 154 000)	(74 982)	(74 982)
Expanded Public Works Programme	30 907	4 500 000	-	(91 317)	(4 516 534)	(4 516 534)
Accelerated Community Infrastructure Programme	-	-	-	-	-	-
Energy Efficiency and Demand Side Management Grant	-	-	-	-	-	-
Total National Government Grants	3 446 087	70 228 000	-	(54 932 092)	(18 618 948)	123 057
Provincial Government Grants						
Human Settlement Development - Transfer Fees	3 385 637	48 337 963	-	(120 538)	(46 337 963)	(46 337 963)
Human Settlement Development Grant (Beneficiaries)	6 014 250	3 898 000	-	(3 898 000)	(6 014 250)	(6 014 250)
Human Settlement Development Acceleration of Housing	218 149	5 975 000	-	(4 827 239)	(771 618)	(771 618)
Library Conditional Grant	109 863	347 495	-	(467 357)	-	-
Library Municipal Replacement Funding	-	120 000	-	(120 000)	-	-
Municipal Capacity Building Grant	-	38 000	-	(38 000)	-	-
Proclaimed Roads	600 000	2 750 600	-	(150 836)	(600 000)	(600 000)
Community Development Workers	-	200 000	-	(200 000)	(1 170 353)	(1 170 353)
Municipal Sport Facilities	-	1 100 000	-	(224 858)	-	-
Department Economic Development & Tourism SMME Booster Fund	-	-	-	-	-	-
Mun. Service Delivery and Capacity Building	-	-	-	-	-	-
Local Government Public Employment Support Grant	-	-	-	-	-	-
Total Provincial Government Grants	10 327 899	60 787 058	-	(9 836 826)	(54 854 184)	6 363 947
District Municipality						
Vernakleikheid Land Reform	1 406	-	-	(1 406)	-	-
Alternative Electricity	273 533	-	-	-	(273 533)	-
Housing Consumer Educations	2 980	-	-	-	(2 980)	-
District Municipality: Safe Plan	-	120 000	-	(120 000)	-	-
Total District Municipality Grants	277 929	120 000	-	(121 406)	(278 523)	-
Other Grant Providers						
Skills Development	807 177	160 187	-	(225 187)	-	842 177
Tourism	103 820	-	-	(1 820)	-	-
Africana Centre	103 037	-	-	-	-	103 037
Asla Devco - Water meters Slangivier	10 025	-	-	-	-	10 025
Public Participation Strategy	57 086	-	-	-	(10 025)	47 061
Total Other Grant Providers	1 079 145	160 187	-	(227 007)	(10 025)	1 002 301
Total Grants	15 131 071	131 275 245	-	(85 117 331)	(73 798 679)	7 489 305