

**BITOU
LOCAL MUNICIPALITY**



Audited

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2022



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence
09 December 2022

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

INDEX

<i>Contents</i>	<i>Page</i>	
General information	1 - 3	
Approval of the financial statements	4	
Statement of Financial Position	5	
Statement of Financial Performance	6	
Statement of Changes in Net Assets	7	
Cash Flow Statement	8	
Notes to the Financial Statements	9 - 165	
APPENDICES - Unaudited		
A	Disclosure of Grants and Subsidies in terms of section 123 of MFMA, 56 of 2003	166 - 168
B	Schedule of External Loans	169 - 170



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

General Information

NATURE OF BUSINESS AND PRINCIPLE ACTIVITIES

Bitou Local Municipality is a Local Municipality performing the functions as set out in The Constitution. (Act no 105 of 1996).

This in effect means that the municipality provides services like water, electricity, sewerage and sanitation to the community. Bitou Local Municipality also serves as an agent to Provincial Government in providing housing to the community.

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 Bitou Local Municipality includes the following areas:

Bossiesgif
Covie
Harkerville
Keurbooms
Kranshoek
Kurland
Kwanokuthula
Natures Valley
New Horizons
Pinetrees
Plettenberg Bay
Qolweni
Uplands
Wittedrift

WARD INFORMATION

Ward 1	<i>Wittedrift/Kurland/Natures Valley/Keurbooms/Covie/Uplands</i>
Ward 2	<i>Plettenberg Bay South & North</i>
Ward 3	<i>Qolweni/Bossiesgif/Pinetrees/Portion of New Horizons</i>
Ward 4	<i>Portion of New Horizons/Portion of Kwanokuthula</i>
Ward 5	<i>Kwanokuthula</i>
Ward 6	<i>Kwanokuthula</i>
Ward 7	<i>Kranshoek/Harkerville/Portion of Kwanokuthula</i>

MEMBERS OF THE MAYORAL COMMITTEE

Current

<i>Executive Mayor</i>	<i>Councillor D. Swart</i>	<i>18-Nov-2021 to</i>	<i>30-Jun-2022</i>
<i>Deputy Executive Mayor</i>	<i>Councillor MP. Busakwe</i>	<i>18-Nov-2021 to</i>	<i>30-Jun-2022</i>
<i>Speaker</i>	<i>Councillor CN. Terblanche</i>	<i>18-Nov-2021 to</i>	<i>30-Jun-2022</i>
<i>Mayoral Committee Member 1</i>	<i>Councillor WJ. Nel</i>	<i>15-Dec-2021 to</i>	<i>30-Jun-2022</i>
<i>Mayoral Committee Member 2</i>	<i>Councillor J. Kam Kam</i>	<i>15-Dec-2021 to</i>	<i>30-Jun-2022</i>



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

General Information

Previous

<i>Executive Mayor</i>	<i>Vacant</i>	<i>1-Jul-2021 to</i>	<i>31-Oct-2021</i>
<i>Deputy Executive Mayor</i>	<i>Councillor SE. Gcabayi</i>	<i>1-Jul-2021 to</i>	<i>31-Oct-2021</i>
<i>Speaker</i>	<i>Councillor EV. Wildeman</i>	<i>1-Jul-2021 to</i>	<i>31-Oct-2021</i>
<i>Mayoral Committee Member 1</i>	<i>Councillor MM. Mbali</i>	<i>1-Jul-2021 to</i>	<i>31-Oct-2021</i>
<i>Mayoral Committee Member 2</i>	<i>Councillor LM. Seyisi</i>	<i>1-Jul-2021 to</i>	<i>31-Oct-2021</i>

WARD COUNCILLORS

Current

<i>Ward 1</i>	<i>DA</i>	<i>Councillor J. Kam Kam</i>	<i>1-Nov-2021 to</i>	<i>30-Jun-2022</i>
<i>Ward 2</i>	<i>DA</i>	<i>Councillor D. Swart</i>	<i>1-Nov-2021 to</i>	<i>30-Jun-2022</i>
<i>Ward 3</i>	<i>ANC</i>	<i>Councillor T. Mhlana</i>	<i>1-Nov-2021 to</i>	<i>30-Jun-2022</i>
<i>Ward 4</i>	<i>PDC</i>	<i>Councillor CN. Terblanche</i>	<i>1-Nov-2021 to</i>	<i>30-Jun-2022</i>
<i>Ward 5</i>	<i>ANC</i>	<i>Councillor SA. Mangxaba</i>	<i>1-Nov-2021 to</i>	<i>30-Jun-2022</i>
<i>Ward 6</i>	<i>ANC</i>	<i>Councillor NT. Seti</i>	<i>1-Nov-2021 to</i>	<i>30-Jun-2022</i>
<i>Ward 7</i>	<i>DA</i>	<i>Councillor AR. Olivier</i>	<i>1-Nov-2021 to</i>	<i>30-Jun-2022</i>

Previous

<i>Ward 1</i>	<i>DA</i>	<i>Councillor J. Kam Kam</i>	<i>1-Jul-2021 to</i>	<i>31-Oct-2021</i>
<i>Ward 2</i>	<i>DA</i>	<i>Councillor D. Swart</i>	<i>1-Jul-2021 to</i>	<i>31-Oct-2021</i>
<i>Ward 3</i>	<i>ANC</i>	<i>Councillor X. Matyila</i>	<i>1-Jul-2021 to</i>	<i>31-Oct-2021</i>
<i>Ward 4</i>	<i>DA</i>	<i>Councillor AS. Windvogel</i>	<i>1-Jul-2021 to</i>	<i>31-Oct-2021</i>
<i>Ward 5</i>	<i>ANC</i>	<i>Councillor MM. Mbali</i>	<i>1-Jul-2021 to</i>	<i>31-Oct-2021</i>
<i>Ward 6</i>	<i>ANC</i>	<i>Councillor SE. Gcabayi</i>	<i>1-Jul-2021 to</i>	<i>31-Oct-2021</i>
<i>Ward 7</i>	<i>DA</i>	<i>Councillor AR. Olivier</i>	<i>1-Jul-2021 to</i>	<i>31-Oct-2021</i>

PROPORTIONAL REPRESENTATIVE COUNCILLORS

Current

<i>AUF</i>	<i>Councillor MP. Busakwe</i>	<i>1-Nov-2021 to</i>	<i>30-Jun-2022</i>
<i>ANC</i>	<i>Councillor SE. Gcabayi</i>	<i>1-Nov-2021 to</i>	<i>30-Jun-2022</i>
<i>DA</i>	<i>Councillor WJ. Nel</i>	<i>1-Nov-2021 to</i>	<i>30-Jun-2022</i>
<i>DA</i>	<i>Councillor NS. Ndayi</i>	<i>1-Nov-2021 to</i>	<i>30-Jun-2022</i>
<i>PA</i>	<i>Councillor MAM. Botha</i>	<i>1-Nov-2021 to</i>	<i>30-Jun-2022</i>
<i>IPM</i>	<i>Councillor NP. Kholwapi</i>	<i>1-Nov-2021 to</i>	<i>30-Jun-2022</i>

Previous

<i>AUF</i>	<i>Councillor PM. Lobese</i>	<i>1-Jul-2021 to</i>	<i>10-Sep-2021</i>
<i>ANC</i>	<i>Councillor EV. Wildeman</i>	<i>1-Jul-2021 to</i>	<i>31-Oct-2021</i>
<i>ANC</i>	<i>Councillor LM. Seyisi</i>	<i>1-Jul-2021 to</i>	<i>31-Oct-2021</i>
<i>DA</i>	<i>Councillor WJ. Nel</i>	<i>1-Jul-2021 to</i>	<i>31-Oct-2021</i>
<i>ANC</i>	<i>Councillor VP. Van Rhyner</i>	<i>1-Jul-2021 to</i>	<i>31-Oct-2021</i>
<i>DA</i>	<i>Councillor NS. Ndayi</i>	<i>1-Jul-2021 to</i>	<i>31-Oct-2021</i>

MUNICIPAL MANAGER

M Memani

CHIEF FINANCIAL OFFICER

M Dyushu



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

General Information

REGISTERED OFFICE

*Sewell street, Plettenberg Bay, 6600
Private Bag X 1002. Plettenberg Bay, 6600*

AUDITORS

Auditor General of South Africa

PRINCIPLE BANKERS

Standard Bank, Plettenberg Bay

ATTORNEYS

*Mosdell, Pama & Cox
Nandi Bulabula
Hutchinson*

RELEVANT LEGISLATION

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

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Approval of Financial Statements

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

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

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

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

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

In terms of section 13g, read with regulation 12 of the B-BBEE Regulations, all spheres of government, public entities and organs of state must report on their compliance with broad-based black empowerment in their audited annual financial statements and annual reports. Please refer to note 75.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality can continue in operational existence as a going concern for the foreseeable future.

I certify that the remuneration of councillors and in-kind benefits are within the upper limits of the framework envisaged in section 219 of The Constitution, read with the remuneration of public officer bearers act and the minister of provincial and local government's determination in accordance with this act.

The annual financial statements set out from page 5, which have been prepared on the going concern basis were approved by the Accounting Officer on 9 December 2022 and were signed on its behalf by:



M Memani
Municipal Manager

09 December 2022

Date

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

	Note	2022	2021
		R	Restated R
ASSETS			
Non-current assets			
Investment property	3	12 692 113	12 692 651
Property, plant and equipment	4	1 196 038 185	1 154 698 995
Intangible assets	5	-	(8)
Heritage assets	6	35 193	35 193
Non - current investments	7	-	9 107 254
Long-term receivables	8	-	1 093
		1 208 765 491	1 176 535 178
Current assets			
Inventories	9	16 446 634	16 466 916
Current Investments	7	9 857 448	-
Operating lease asset	10	158 834	318 625
Receivables from exchange transactions	11	35 343 763	30 681 867
Receivables from non-exchange transactions	11	34 581 213	24 953 253
VAT receivable	12	4 585 141	7 904 394
Current portion of long-term receivables	8	1 093	997
Unpaid conditional grants	13	15 590 971	16 165 067
Cash and cash equivalents	14	48 627 266	73 460 475
		165 192 365	169 951 594
Total assets		1 373 957 856	1 346 486 772
LIABILITIES			
Non-current liabilities			
Long-term borrowings	15	65 547 008	82 498 638
Finance lease liabilities	16	1 250 915	6 674 592
Employee benefit obligation	17	83 872 403	79 189 000
		150 670 326	168 362 230
Current liabilities			
Current portion of long-term borrowings	15	16 979 655	18 045 519
Current portion finance lease liabilities	16	4 848 632	3 833 633
Trade and other payables from exchange transactions	20	80 855 729	71 215 207
Payables from non-exchange transactions	21	-	633 701
Consumer deposits	22	9 848 007	9 013 287
Current employee benefit obligation	23	36 769 786	35 163 951
Current provisions	18	1 166 278	5 055 347
Landfill site	19	-	15 322 375
Unspent conditional grants	13	6 095 196	3 432 545
Unspent public contributions and donations	24	-	498 469
Operating lease liability	10	78 150	268 342
		156 641 433	162 482 376
Total liabilities		307 311 759	330 844 606
Net Assets		1 066 646 096	1 015 642 166
NET ASSETS			
Reserves	25	18 550 009	102 000 000
Accumulated surplus / (deficit)		1 048 096 087	913 642 165
Total net assets		1 066 646 096	1 015 642 166

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Statement of Financial Performance as at 30 June 2022

	Note	2022	2021
		R	Restated R
REVENUE			
Revenue from exchange transactions			
Sale of goods		182 276	125 477
Service charges (Exchange)	27	397 147 683	362 253 546
Rendering of services	28	8 638 723	5 576 205
Rental of facilities and equipment	30	1 254 556	1 148 857
Interest earned - cash and investments	31	3 746 776	6 600 810
Interest charged (trading)	32	12 130 801	12 720 518
Agency services	33	2 422 886	2 345 436
Licences and permits	34	1 091 085	719 480
Operational revenue	35	2 082 099	2 129 336
Inventories reversal to net realisable value	36	6 940 892	4 289 443
Total revenue from exchange transactions		435 637 777	397 909 107
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	37	157 193 635	149 321 185
Availability charges (Non-Exchange)	38	16 331 649	12 372 532
Interest charged on non-exchange transactions	39	2 646 549	1 857 654
Transfer revenue			
Government grants & subsidies - monetary	40	187 797 553	182 169 528
Public Contributions and Donations	41	498 469	-
Fines, penalties and forfeits	42	54 430 462	29 845 754
Total revenue from non-exchange transactions		418 898 317	375 566 654
Total revenue		854 536 094	773 475 761
EXPENDITURE			
Employee related costs	43	280 224 496	268 488 924
Remuneration of councillors	44	6 197 993	6 249 856
Depreciation and amortisation	45	36 223 181	34 942 476
Impairment	46	33 141 143	9 348 710
Finance costs	47	11 102 209	13 399 128
Operating leases	48	4 323 228	3 715 783
Bad debts written off	49	93 734 933	108 578 324
Bulk purchases	50	160 337 958	135 308 569
Contracted services	51	102 725 891	98 624 205
Transfers and subsidies	52	4 527 192	5 570 673
Inventory consumed	53	14 328 052	25 523 238
Operational cost	54	51 057 269	51 652 981
Loss on disposal of assets and liabilities	55	1 687 302	1 455 668
Water losses	56	6 851 853	4 273 990
Inventories losses/write-downs	57	125 496	-
Total expenditure		806 588 195	767 132 525
Surplus / (deficit) for the year		47 947 899	6 343 236

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Statement of Changes in Net Assets

		Capital Replacement Reserve	Accumulated surplus / (deficit)	Total: Net assets
	Note	R	R	R
Balance at 30 June 2020		98 738 413	909 248 087	1 007 986 500
Adjustments		-	1 312 429	1 312 429
Corrections of errors	59	-	1 312 429	1 312 429
Restated Balance at 30 June 2020		98 738 413	910 560 516	1 009 298 929
Surplus for the year		-	6 343 236	6 343 236
Total recognised income and expenses for the year		-	6 343 236	6 343 236
Transfers in/out		3 261 586	(3 261 586)	-
Total Changes		3 261 586	(3 261 586)	-
Restated Balance at 30 June 2021		102 000 000	913 642 165	1 015 642 165
Surplus for the year			47 947 899	47 947 899
Total recognised income and expenses for the year		-	47 947 899	47 947 899
Transfers in/out		(83 449 991)	86 506 023	3 056 032
Total changes		(83 449 991)	86 506 023	3 056 032
Balance at 30 June 2022		18 550 009	1 048 096 087	1 066 646 095

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Cash flow statement as at 30 June 2022

	Note	2022	2021
		R	Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Taxes, levies and fines		157 106 967	159 171 577
Goods and services provided		343 119 809	311 340 387
Government grants		192 300 636	170 336 827
Public contributions and donations		-	460 000
Interest income		14 249 037	18 188 540
Consumer deposits		1 120 104	620 824
		707 896 552	660 118 156
Payments			
Suppliers for goods and services		(334 811 788)	(343 480 903)
Employees		(272 981 766)	(253 005 206)
Remuneration of councillors		(6 197 993)	(6 249 856)
Finance cost		(11 102 815)	(13 459 575)
Government grants repaid		(1 266 335)	(22 671)
Transfers and grants		(4 527 192)	(5 570 673)
Consumer deposits		(285 384)	(153 271)
		(631 173 274)	(621 942 154)
Net cash flows from operating activities	58	76 723 278	38 176 001
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(78 381 117)	(65 626 504)
Proceeds from sale of property, plant and equipment		-	269 914
Movement in non-current investments		(750 194)	(752 250)
Movement in non-current receivables		997	1 825
		(79 130 314)	(66 107 015)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term borrowings		(18 017 495)	(21 252 839)
Repayment of finance leases		(4 408 678)	(3 068 009)
		(22 426 173)	(24 320 848)
Net increase/(decrease) in cash and cash equivalents		(24 833 209)	(52 251 862)
Cash and cash equivalent at the beginning of the year	14	73 460 475	125 712 337
Cash and cash equivalents at the end of the year		48 627 266	73 460 475

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

1. Accounting Policies

Presentation of Unaudited Annual Financial Statements

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

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

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 – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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

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

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

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

1.1. Presentation currency

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.2. Going concern assumption

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

1.3. Comparative Information

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

1.4. Amended Disclosure Policy

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 include errors.

1.5. Materiality

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

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.6. Presentation of Budget information

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 01 Jul 2021 to 30 Jun 2022.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts

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

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements.

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

1.7. Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. The cash in the CRR can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

1.8. Leases

Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9. Unpaid Conditional Government Grants and Receipts

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant as set out in note 13 or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.10. Unspent Conditional Government Grants and Receipts

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

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

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 as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

The same accounting principles will be applied with the recognition of unspent Public Contributions.

1.11. 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.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

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

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

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 and Losses 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.

The amount recognised as a provision is 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 de-recognised.

1.12. Employee benefits

Long Service Awards

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

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

Provision for Staff Leave

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

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

Accumulated leave is vesting.

Staff Bonuses Accrued

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

Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are postemployment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality 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 Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.13. Borrowing costs

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

In accordance with GRAP 5, the municipality has opted to apply the Benchmark Treatment when accounting for Borrowing Costs. Under the benchmark treatment, borrowing costs are recognised as an expense in the period in which they are incurred, regardless of how the borrowings are applied.

1.14. Property, plant and equipment

Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. 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 the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

Subsequent Measurement - Cost Model

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

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

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

Depreciation and Impairment

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

Item	Depreciation method	Expected useful life (years)
Land	Straight-line	Indefinite
Buildings	Straight-line	8-100
Infrastructure	Straight-line	
• Electricity reticulation		8-100
• Refuse Sites		5-100
• Roads, Pavements, Bridges & Storm Water		6-100
• Sewerage Purification		9-100
• Water Reservoirs & reticulation		8-100
Community	Straight-line	
• Cemeteries		10-100
• Community Halls		5-100
• Libraries		5-100
• Sports grounds		5-100
• Parks		5-100
Other Assets	Straight-line	
Office Equipment		3-30
Other Land & Buildings		10-15
Other Motor Vehicles		4-30
Plant and Equipment		5-30
Security Measures		5-30
Specialised Vehicles		8-30
Leased Assets	Straight-line	3-6

A finance lease gives rise to a depreciation expense for depreciable assets as well as finance expense for each accounting period. The depreciation policy for depreciable leased assets shall be consistent with that for depreciable assets that are owned, and the depreciation recognised shall be calculated in accordance with the Standards of GRAP on Property, Plant and Equipment (GRAP 17) and Intangible Assets (GRAP 31). If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The entity assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists,

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

the entity revises the expected useful life and/or residual value accordingly, and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting

In carrying out this assessment, the entity considers the following indicators as listed in the Standard (although this is not in carrying out this assessment, the entity considers the following indicators as listed in the Standard (although this is not an exhaustive list) to determine whether the expected useful life and/or residual value has changed:

- a) The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.
- b) The use of the asset has changed, because of the following:
 - The entity has changed the manner in which the asset is used.
 - The entity has changed the utilisation rate of the asset
 - The entity has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes
 - the expected period over which the asset will be used.
 - Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
 - Legal or similar limits placed on the use of the asset have changed.
 - The asset was idle or retired from use during the reporting period.
- c) The asset is approaching the end of its previously expected life.
- d) Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.
- e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.
- f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period. This is based on any condition assessments undertaken by the entity on its assets during the reporting period in accordance with the Asset Management Plan of the entity. In assessing whether the condition of an asset has improved or declined, the stage of the asset's lifecycle is considered by the entity. As assets age, a certain level of deterioration is expected. It is only where a decline in the condition is above what is expected, would a thorough analysis of the impact on the useful life of the asset be required. The same applies if an asset is in a better condition than expected.
- g) The asset is assessed as being impaired in accordance with the Standards of GRAP on Impairment of Cash-generating Assets and impairment of Non-cash-generating assets.

In assessing whether there is any indication that the expected residual value of an asset has changed, the entity considers whether there has been any change in the expected timing of disposal of the asset, as well as any relevant indicators included above.

The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

De-recognition

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

Land and buildings and Other Assets – application of deemed cost (Directive 7)

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

1.15. Intangible assets

Initial Recognition

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

An asset meets the identifiable 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 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.

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 is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Subsequent Measurement – Cost Model

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

Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Item	Depreciation method	Expected useful life (years)
Computer software, other	Straight-line	5-10

De-recognition

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

Application of deemed cost (Directive 7)

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

1.16. Investment property

Initial Recognition

Investment property is recognised as an asset when and only when:

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

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

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

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

Subsequent Measurement – Cost Model

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

Cost model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

different useful lives are depreciated separately. The depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The entity assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since shall be reviewed at least at each the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly, and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In carrying out this assessment, the entity considers the following indicators as listed in the Standard (although this is not an exhaustive list) to determine whether the expected useful life and/or residual value has changed:

- a) The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.
- b) The use of the asset has changed, because of the following:
 - The entity has changed the manner in which the asset is used.
 - The entity has changed the utilisation rate of the asset.
 - The entity has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.
 - Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
 - Legal or similar limits placed on the use of the asset have changed.
 - The asset was idle or retired from use during the reporting period.
- c) The asset is approaching the end of its previously expected life.
- d) Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.
- e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.
- f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period. This is based on any condition assessments undertaken by the entity on its assets during the reporting period in accordance with the Asset Management Plan of the entity. In assessing whether the condition of an asset has improved or declined, the stage of the asset's lifecycle is considered by the entity. As assets age, a certain level of deterioration is expected. It is only where a decline in the condition is above what is expected, would a thorough analysis of the impact on the useful life of the asset be required. The same applies if an asset is in a better condition than expected.
- g) The asset is assessed as being impaired in accordance with the Standards of GRAP on Impairment of Cash-generating Assets and impairment of Non-cash-generating assets.

In assessing whether there is any indication that the expected residual value of an asset has changed, the entity considers whether there has been any change in the expected timing of disposal of the asset, as well as any relevant indicators included above.

Item	Depreciation method	Expected useful life (years)
Property - buildings	Straight-line	30-120

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

De-recognition

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

Application of deemed cost - Directive 7

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

1.17. Heritage assets

Initial Recognition

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.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

Subsequent measurement - Cost Model

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Depreciation and Impairment

Heritage assets are not depreciated.

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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

De-recognition

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

Application of deemed cost - Directive 7

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

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

1.18. Recognition and De-recognition of Land – IGRAP18

The municipality applies this interpretation to the initial recognition and de-recognition of land in its financial statements. This interpretation also considers joint control of land by more than one entity.

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

An entity also applies the applicable Standards of GRAP to the de-recognition of land when it concludes that it does not control the land after applying the principles in this Interpretation.

1.19. 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 an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

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

a) External sources of information

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

b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

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

1.20. Impairment of non-cash-generating assets

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

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

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

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

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

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

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

- depreciation replacement cost approach - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- service unit approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

An impairment loss is recognised immediately in surplus or deficit. The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

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

1.21. Inventories

Initial Recognition

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

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

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

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Subsequent Measurement

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

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

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Fuel held for sale is measured annually at the reporting date by way of a dip reading.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.22. 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) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

Initial recognition

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

Subsequent measurement

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

1.22.1. Receivables

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

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

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

1.22.2. Payables and Annuity Loans

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

1.22.3. Cash and Cash Equivalents

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

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

1.22.4. Non-Current Investments

Investments 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 Statement of Financial Performance in the period that the impairment is identified.

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

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

De-recognition of Financial Instruments

1. Financial assets

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

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

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

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

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

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

2. Financial liabilities

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

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

3. Offsetting of Financial Instruments

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

1.23. Statutory receivables

Identification

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

Initial Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Subsequent measurement

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

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

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

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.

De-recognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

1.24. Revenue from non-exchange transactions

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

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

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

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.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fines revenue constitutes of spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued.

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

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

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

All unclaimed deposits are initially recognised as a liability. When 3 years has expired, then all unclaimed deposits made into the Municipality's bank account may be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Unclaimed deposits are recognised as revenue after 3 years, the Municipality still keeps record of these unclaimed deposits in the event that a party should submit a claim, in which case it will be expensed.

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

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

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

1.25. Revenue from exchange transactions

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

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

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- The amount of revenue can be measured reliably.

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month may be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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

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

Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

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

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

The prevailing rate for a similar instrument of an issuer with a similar credit rating:

- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

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

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.26. Transfer of function (Municipality as the acquirer)

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

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

An asset is identifiable if it either:

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

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

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

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

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

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

1.27. Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

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 the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

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 deficit is recognised as an expense immediately.

1.28. Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.29. Segment Information

A segment is an activity of an entity:

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

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

Measurement

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

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

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

1.30. Related parties

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 - "Related Party Disclosures".

A related party is a person or an entity:

- with the ability to control or jointly control the other party
 - or exercise significant influence over the other party, or vice versa,
 - or an entity that is subject to common control, or joint control.
- a) The following are regarded as related parties of the Municipality: 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 Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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

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

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

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

Management personnel include:

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

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

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

1.31. Unauthorised expenditure

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

1.32. Irregular expenditure

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

1.33. Fruitless and wasteful expenditure

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

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

1.34. Contingent Liabilities and Contingent Assets

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

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

Management judgment is required when recognising and measuring contingent liabilities.

1.35. Significant judgements and sources of estimation uncertainty

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgments, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations and, Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 17 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of receivables

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

Property, Plant and Equipment

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

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

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

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

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

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

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

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

De-recognition of Land (IGRAP18)

In order to measure/calculate the portion of land to be classified as inventory or expensed, the total housing development size (excluding portions that will vest with the municipality) is expressed as a percentage of the total land size. This percentage or factor is then used to calculate the land value to be expensed or re-classified as inventory, depending on the respective de recognition criteria.

Intangible Assets

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

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

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

Investment Property

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

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

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

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

Provisions and Contingent Liabilities

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

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Revenue Recognition

Accounting Policy 1.24 on Revenue from Non-Exchange Transactions and Accounting Policy and 1.25 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgment, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses have been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. 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 recognised in 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.
- The current CPI rate will be used to calculate the effect of the passage of time to determine the retrospective effect of the change in estimate.

Provision for Staff Leave

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

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The actual pre-paid electricity sold per day for the last 5 days during the year under review is used as the estimate for calculating unused units

Componentisation of Infrastructure assets

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

1.36. Taxes - Value Added Tax

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

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

1.37. Capital Commitments

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

1.38. Events after reporting date

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

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

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

1.39. Service concession arrangements: Entity as grantor

Identification

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of service concession arrangement.

A grantor is the entity that grants the right to use the service concession asset to the operator.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
 - a) the operator constructs, develops, or acquires from a third party; or
 - b) is an existing asset of the operator; or
- is provided by the grantor which:
 - a) is an existing asset of the grantor; or
 - b) is an upgrade to an existing asset of the grantor.

Recognition of asset and liability

The entity recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a “whole-of-life” asset).

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the entity recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability.

The entity does not recognise a liability when an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

Measurement of asset and liability

The entity initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the entity, the asset is measured at its fair value.
- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment property, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity.

Financial liability model

Where the entity 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 entity accounts for the liability as a financial liability.

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

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the entity to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

Where the asset and service components are not separately identifiable, the service component of payments from the entity to the operator is determined using estimation techniques.

Grant of a right to the operator model

Where the entity does not have 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, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the entity accounts for the liability as the unearned portion of the revenue arising from the exchange of assets between the entity and the operator.

The entity recognises revenue and reduces the liability according to the substance of the service concession arrangement.

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Dividing the arrangement

If the entity 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.

Other liabilities, contingent liabilities and contingent assets

The entity 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.

Other revenues

The entity 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 Standard of GRAP on Revenue from exchange transactions.

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

If the entity 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 entity recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.

The right to receive a residual interest in the service concession asset to be received at the end of the arrangement, is an exchange consideration. This is because the entity will receive an asset in exchange for granting the operator access to the asset while providing a mandated function on its behalf in accordance with the substance of the arrangement.

In terms of the policy on Revenue from exchange transactions, the exchange consideration is recognised and measured at fair value. The value of the receivable (the right to the residual interest in the asset), 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.

When the entity recognises the right to receive a residual interest in the service concession asset, it also recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of the arrangement. The value of the performance obligation is the same as the receivable interest recognised at the commencement of the service concession arrangement.

The performance obligation is reduced and revenue is recognised based on the substance of the arrangement.

Where service concession arrangements include provisions to adjust the arrangement for changes, the effect of such changes is deemed to have taken place at the inception of the service concession arrangements.

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

2. New standards and interpretations

2.1. Standards and interpretations effective and adopted

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

Standard	Description	Effective date
None	No new standards	None

2.2. Standards and interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard	Description	Effective date
None	None	None

2.3. Standards and interpretations issued, but not yet effective

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

2.3.1. GRAP 25 (amended): Employee Benefits

The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. This Standard was revised to align to the requirements of the International Public Sector Accounting Standard on *Employee Benefits* (IPSAS 39)

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

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements, as the municipality's current treatment is already in line with the Standard's treatment.

2.3.2. GRAP 104 (amended): Financial Instruments

The objective of this Standard is to establish principles for recognising, measuring, presenting, and disclosing financial instruments. This Standard was revised to align it with IFRS 9 on Financial Instruments.

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

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements, as the municipality's current treatment is already in line with the Standard's treatment.

2.3.3. iGRAP 7 (Revised 2022) - Limit on a Defined Benefit Asset, Minimum Funding Requirements, and their interaction

The issues addressed in this Interpretation are:

- a) When refunds or reductions in future contributions should be regarded as available in accordance with the definition of the asset ceiling in paragraph .08 of GRAP 25.
- b) How a minimum funding requirement might affect the availability of reductions in future contributions.

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

BITOU LOCAL MUNICIPALITY

Audited Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

No significant impact is expected as the Municipality's current treatment is already to a large extent in line with the Interpretation's requirements.

2.3.4. iGRAP 21 (Revised 2022) - The Effect of Past Decisions on Materiality

The issues addressed in this Interpretation are:

- a) Whether past decisions about materiality affect subsequent reporting periods.
- b) Whether applying alternative accounting treatments based on materiality is a departure from the Standards of GRAP or an error.

The effective date of the standard is 1 April 2023.

The effect of the Interpretation to the Standards of GRAP which is considered insignificant. The Interpretation to the Standards of GRAP mainly relate to the clarification of accounting principles.

2.3.5. Guideline: Accounting for Landfill Sites

The objective of this guideline: to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

The effective date of the guideline is not yet determined.

It is unlikely that the guideline will have a material impact on the municipality's unaudited annual financial statements, as Municipality's current treatment is already to a large extent in line with the Guideline.

2.3.6. Guideline: The Application of Materiality to Financial Statements

The objective of this guideline: to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. This Guideline aims to assist entities in achieving the overall financial reporting objective.

The effective date of the guideline is not yet determined.

The impact that the guideline will have a on the municipality's unaudited annual financial statements, was not yet determined.

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

3 INVESTMENT PROPERTY

Note	2022			2021		
	R Cost	R Accumulated	R Carrying value	R Cost	R Accumulated	R Carrying value
Investment property	R 18 143 680	R (5 451 567)	R 12 692 113	R 18 143 680	R (5 451 029)	R 12 692 651
	R 18 143 680	R (5 451 567)	R 12 692 113	R 18 143 680	R (5 451 029)	R 12 692 651

3.1 Restrictions on Investment Property

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

3.2 Contractual commitments for the acquisition, maintenance and restoration of Investment Property

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

3.3 Pledged as security

There are no property, plant and equipment assets pledged as security for liabilities.

3.4 Additional Disclosure in terms of Investment Property

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

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

Amounts recognised in surplus or deficit

Rental revenue from investment property

2022	2021
R	R
420 007	420 007



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	R	R	R	R	R	R	R	R	R
	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Impairment loss	Impairment reversal	Depreciation	Carrying value
3.5 Reconciliation of carrying value - 2022									
Investment property	12 692 651	-	-	-	-	-	-	(538)	12 692 113
	12 692 651	-	-	-	-	-	-	(538)	12 692 113
3.6 Reconciliation of carrying value - 2021									
Investment property	12 690 189	-	-	-	-	3 000	-	(538)	12 692 651
	12 690 189	-	-	-	-	3 000	-	(538)	12 692 651



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note

4 PROPERTY, PLANT AND EQUIPMENT

	R	2022 R	R	R	2021 R	R
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	317 317 038	(26 388 723)	290 928 315	316 797 133	(25 868 818)	290 928 315
Plant and machinery	12 462 752	(8 028 248)	4 434 504	12 432 487	(7 889 667)	4 542 820
Motor vehicles	57 358 068	(25 397 159)	31 960 908	54 922 367	(21 774 291)	33 148 076
Office equipment	9 066 219	(7 033 728)	2 032 491	9 425 947	(6 874 297)	2 551 650
It equipment	15 107 727	(10 004 860)	5 102 867	13 984 607	(9 142 708)	4 841 899
Infrastructure	1 038 657 538	(274 063 103)	764 594 435	972 983 759	(250 884 256)	722 099 503
Community	90 813 756	(28 832 739)	61 981 017	88 640 612	(26 234 040)	62 406 572
Other property, plant and equipment	65 218 443	(30 214 793)	35 003 650	63 625 750	(29 445 589)	34 180 161
	1 606 001 539	(409 963 354)	1 196 038 185	1 532 812 662	(378 113 667)	1 154 698 995



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	R	R	R	R	R	R	R	R
	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Impairment loss	Depreciation	Carrying value
4.1 Reconciliation of carrying value - 2022								
Land	290 928 315	-	-	-	-	-	-	290 928 315
Plant and machinery	4 542 820	1 913 856	-	(45 022)	(594 000)	-	(1 383 150)	4 434 504
Motor vehicles	33 148 076	3 116 089	-	(126 169)	-	-	(4 177 088)	31 960 908
Office equipment	2 551 650	243 060	-	(58 094)	-	-	(704 125)	2 032 491
It equipment	4 841 899	1 840 160	-	(58 658)	-	-	(1 520 534)	5 102 867
Infrastructure	722 099 503	38 043 959	-	(1 362 243)	30 668 094	-	(24 854 878)	764 594 435
Community	62 406 572	1 774 332	-	(32 405)	642 173	-	(2 809 655)	61 981 017
Other property, plant and equipment	34 180 161	1 601 411	-	(4 711)	-	-	(773 211)	35 003 650
	1 154 698 995	48 532 867	-	(1 687 302)	30 716 267	-	(36 222 643)	1 196 038 185

4.2 Reconciliation of carrying value - 2021

Land	292 245 953	-	-	-	-	(1 317 638)	-	290 928 315
Plant and machinery	4 145 334	1 692 015	-	(1 696)	91 320	-	(1 384 153)	4 542 820
Motor vehicles	24 868 072	12 418 352	-	-	(91 320)	-	(4 047 027)	33 148 076
Office equipment	2 939 850	343 547	-	(417)	-	-	(731 330)	2 551 650
It equipment	5 178 111	1 122 167	-	(15 868)	-	-	(1 442 510)	4 841 899
Infrastructure	688 681 023	20 978 689	-	(1 483 332)	37 677 355	-	(23 754 232)	722 099 503
Community	60 402 429	4 613 262	-	(224 269)	176 795	-	(2 561 646)	62 406 572
Other property, plant and equipment	34 459 549	180 556	-	-	-	356 708	(816 652)	34 180 161
	1 112 920 320	41 348 587	-	(1 725 582)	37 854 151	(960 930)	(34 737 551)	1 154 698 995



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
4.3 Capital commitments			
Capital commitments applicable	71	-	56 879 353

4.4 Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment

Electrical Infrastructure	732 100	396 449
Roads Infrastructure	1 001 792	16 682 066
Sanitation Infrastructure	3 292 198	12 175 808
Water Supply Infrastructure	4 529 792	3 544 377
Community Assets	15 645	503 572
Other Assets	1 513 272	232 846
	11 084 799	33 535 118

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Infrastructure Assets	43 599 687	36 404 377
Community Assets	3 658 690	1 812 488
Other Assets	1 014 708	959 982
	48 273 085	39 176 847

Reasons for delay:

- Budgeting/Funding constraints
- Delays with EIA approvals
- Delays with SCM processes
- Contractor Performance

4.5 Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Employee Related costs	14 115 311	12 114 010
Contracted Services	34 044 268	25 520 759
Materials	5 484 541	4 576 987
Other Expenses	34 712	39 719
	53 678 832	42 251 475

4.6 Restrictions on property, plant and equipment assets

There are no restrictions on the realisability of property, plant and equipment assets or the remittance of revenue and proceeds of disposal.

4.7 Pledged as security

There are no property, plant and equipment assets pledged as security for liabilities.

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
4.8 Change in estimates in terms of GRAP 3			
Depreciation before adjustments:			
Community Assets		69 940	-
Computer Equipment		289 902	-
Electrical Infrastructure		104 429	-
Furniture and Office Equipment		96 836	-
Machinery and Equipment		184 667	-
Network and Communication		635	-
Other Assets		40 703	-
Roads Infrastructure		278 149	-
Sanitation Infrastructure		108 066	-
Transport Assets		1 438	-
Water Supply Infrastructure		282 261	-
		1 457 026	-
Depreciation after adjustments:			
Community Assets		67 252	-
Computer Equipment		190 432	-
Electrical Infrastructure		103 961	-
Furniture and Office Equipment		42 246	-
Machinery and Equipment		137 468	-
Network and Communication		507	-
Other Assets		34 403	-
Roads Infrastructure		229 244	-
Sanitation Infrastructure		75 690	-
Transport Assets		359	-
Water Supply Infrastructure		239 832	-
		1 121 394	-

The useful life's of the assets were adjusted for further periods, due to these assets reaching their expected useful life's. The changes remains the same for the next two years

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

		R	2022 R Accumulated depreciation and accumulated impairment	R Carrying value	R	2021 R Accumulated depreciation and accumulated impairment	R Carrying value
	Note	Cost			Cost		
5 INTANGIBLE ASSETS							
Computer software, other		-	-	-	(8)	-	(8)
		-	-	-	(8)	-	(8)
Description							Remaining amortization period
Microsoft Office and Windows software							5 - 10 Years

5.1 Usefull life of Intangible Assets

No intangible asset has an indefinite useful life.

5.2 Internally Generated Intangible Assets

There are no internally generated intangible assets at reporting date.

5.3 Restrictions on Intangible Assets

There are no intangible assets whose title is restricted.

5.4 Pledged as security

There are no intangible assets pledged as security for liabilities

5.5 Contractual commitments for the acquisition, maintenance and restoration of Intangible Assets

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



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	R	R	R	R	R	R	R	R	R
	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Impairment loss	Impairment reversal	Depreciation	Carrying value
5.6 Reconciliation of carrying value - 2022									
Computer software, other	(8)	8	-	-	-	-	-	-	(0)
	(8)	8	-	-	-	-	-	-	(0)
5.7 Reconciliation of carrying value - 2021									
Computer software, other	(8)	-	-	-	-	-	-	-	(8)
	(8)	-	-	-	-	-	-	-	(8)



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

		2022		2021	
	R	R	R	R	R
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment
Note					Carrying value
6 HERITAGE ASSETS					
Historic buildings	16 512	-	16 512	16 512	16 512
Other heritage assets	18 681	-	18 681	18 681	18 681
	35 193	-	35 193	35 193	35 193

6.1 Age and/or condition of heritage assets

Heritage Assets consist of historical land and the Mayoral chain.

The assets were measured at cost.

6.2 Restrictions on heritage assets

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

6.3 Pledged as security

There are no Heritage assets pledged as security for liabilities.

6.4 Contractual commitments for the acquisition, maintenance and restoration of heritage assets

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

6.5 Heritage assets used for more than one purpose

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



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	R	R	R	R	R	R	R	R	R
	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Impairment loss	Impairment reversal	Depreciatio n	Carrying value
6.6 Reconciliation of carrying value - 2022									
Historic buildings	16 512	-	-	-	-	-	-	-	16 512
Other heritage assets	18 681	-	-	-	-	-	-	-	18 681
	35 193	-	-	-	-	-	-	-	35 193
6.7 Reconciliation of carrying value - 2021									
Historic buildings	16 512	-	-	-	-	-	-	-	16 512
Other heritage assets	18 681	-	-	-	-	-	-	-	18 681
	35 193	-	-	-	-	-	-	-	35 193



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
7 INVESTMENTS			
7.1 NON - CURRENT			
Fixed deposits		9 107 254	8 355 004
Opening Balance		9 107 254	8 355 004
Fixed deposits		750 194	752 250
Interest Earned		750 194	752 250
Fixed deposits		9 857 448	-
Less: Transferred to current investments		9 857 448	-
		-	9 107 254

A non-current investment to establish a Sinking Fund, amounted to R5,243,673.32 was re-invested with Nedbank Ltd to serve as a contractual collateral on loan accounts WC 13665 and WC 100225 from Development Bank of Southern Africa. The Maturity date of this Investment is 30 December 2022.

7.2 CURRENT

Fixed deposits	9 857 448	-
	9 857 448	-

8 LONG-TERM RECEIVABLES

Long-term receivables	1 093	2 090
	1 093	2 090
Less : Current portion transferred to current receivables	1 093	997
Current portion of long-term receivables	1 093	997
Total	-	1 093

HOUSING SELLING SCHEMES

Prior to the effect of the provisions of section 164(1)(c) of the MFMA (Act 56 of 2003) on 1 July 2004, loans were granted to qualifying senior staff members to enable them to acquire a house. The house should be occupied by the staff member and should be the primary home of the staff member. The repayment period of these loans and the applicable interest rate is a maximum of 20 years and eight percent per annum, respectively.

The repayments applicable, are levied with the monthly consumer accounts, and outstanding amounts of these accounts are reflected as part of the outstanding receivables from exchange transactions.

The terms granted applicable to these loans are not more favourable that would be expected in market term.

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
9 INVENTORIES			
Consumable stores		13 977 860	14 087 180
Unsold properties held for resale		2 235 230	2 235 230
Water for distribution		233 544	144 505
		16 446 634	16 466 916

Consumable stores materials increase / (write down) due to losses as identified during the annual stores counts.

	363 291	-
--	---------	---

Consumable stores materials increase / (write down) due to surpluses as identified during the annual stores counts.

	123 451	-
--	---------	---

Inventories recognised as an expense during the year

	14 328 052	25 523 238
--	------------	------------

9.1 Inventory pledged as security

No inventory assets were pledged as security for liabilities.

9.2 Water for distribution

Opening Balance		144 505	129 053
System input volume		21 510 778	13 739 259
Billed consumption		(13 399 246)	(8 822 792)
Water Losses	50	(6 915 185)	(4 273 990)
Data transfer and management errors		(1 170 640)	(642 476)
Water Stock Journal		63 331	15 453
		233 544	144 505

10 OPERATING LEASE (ACCRUAL)

Operating lease asset - Current		158 834	318 625
Operating lease accrual - Current		(78 150)	(268 342)
		80 684	50 282

A further breakdown/ explanation can be found under note 71 sub-heading Operating lease

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
11 DEBTORS DISCLOSURE			
Gross balances			
Consumer debtors - electricity (exchange)		26 521 320	26 509 009
Consumer debtors - water (exchange)		68 879 432	74 374 524
Consumer debtors - waste water (exchange)		89 288 063	80 835 891
Consumer debtors - refuse (exchange)		50 173 835	45 835 435
Consumer debtors - housing rentals (exchange)		829 255	1 089 084
Consumer debtors - sundries (exchange)		9 050 323	7 914 743
Consumer debtors - rates (non-exchange)		52 341 473	48 554 513
Consumer debtors - electricity (non-exchange)		2 735 170	3 339 260
Consumer debtors - water (non-exchange)		4 749 556	5 044 901
Consumer debtors - waste water (non-exchange)		957 959	732 220
Consumer debtors - refuse (non-exchange)		3 370 087	2 704 063
Consumer debtors - sundries (non-exchange)		1 579 285	1 742 616
Fines (non-exchange)		86 580 967	50 399 410
		397 056 725	349 075 670
Less: Allowance for impairment			
Consumer debtors - electricity (exchange)		(10 187 874)	(10 645 763)
Consumer debtors - water (exchange)		(62 472 434)	(69 240 442)
Consumer debtors - waste water (exchange)		(84 062 591)	(76 049 357)
Consumer debtors - refuse (exchange)		(47 558 460)	(43 137 831)
Consumer debtors - housing rentals (exchange)		(884 670)	(1 021 534)
Consumer debtors - sundries (exchange)		(4 232 436)	(5 781 893)
Consumer debtors - rates (non-exchange)		(32 013 485)	(32 268 578)
Consumer debtors - electricity (non-exchange)		(2 407 504)	(2 858 037)
Consumer debtors - water (non-exchange)		(4 137 515)	(3 983 381)
Consumer debtors - waste water (non-exchange)		(803 790)	(560 578)
Consumer debtors - refuse (non-exchange)		(3 130 832)	(2 382 195)
Fines (non-exchange)		(75 240 158)	(45 510 962)
		(327 131 748)	(293 440 550)
Net balance			
Consumer debtors - electricity (exchange)		16 333 446	15 863 246
Consumer debtors - water (exchange)		6 406 998	5 134 082
Consumer debtors - waste water (exchange)		5 225 472	4 786 535
Consumer debtors - refuse (exchange)		2 615 375	2 697 604
Consumer debtors - housing rentals (exchange)		(55 415)	67 551
Consumer debtors - sundries (exchange)		4 817 887	2 132 850
Consumer debtors - rates (non-exchange)		20 327 989	16 285 935
Consumer debtors - electricity (non-exchange)		327 666	481 223
Consumer debtors - water (non-exchange)		612 040	1 061 520
Consumer debtors - waste water (non-exchange)		154 169	171 642
Consumer debtors - refuse (non-exchange)		239 255	321 868
Fines (non-exchange)		11 334 909	4 888 448
Consumer debtors - sundries (non-exchange)		1 585 185	1 742 616
		69 924 976	55 635 120

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
Statutory receivables included in consumer debtors above are as follows:		
Consumer debtors - rates (non-exchange)	20 327 989	16 285 935
Fines (non-exchange)	11 334 909	4 888 448
	31 662 898	21 174 384
Financial asset receivables included in consumer debtors above		
	38 262 078	34 460 737
Total debtors	69 924 976	55 635 120

11.01 Included in above is receivables from exchange transactions - current

Consumer debtors - electricity (exchange)	16 333 446	15 863 246
Consumer debtors - water (exchange)	6 406 998	5 134 082
Consumer debtors - waste water (exchange)	5 225 472	4 786 535
Consumer debtors - refuse (exchange)	2 615 375	2 697 604
Consumer debtors - housing rentals (exchange)	(55 415)	67 551
Consumer debtors - sundries (exchange)	4 817 887	2 132 850
	35 343 763	30 681 867

11.02 Included in above is receivables from non-exchange transactions - current

Consumer debtors - rates (non-exchange)	20 327 989	16 285 935
Consumer debtors - electricity (non-exchange)	327 666	481 223
Consumer debtors - water (non-exchange)	612 040	1 061 520
Consumer debtors - waste water (non-exchange)	154 169	171 642
Consumer debtors - refuse (non-exchange)	239 255	321 868
Fines	11 334 909	4 888 448
Consumer debtors - sundries (non-exchange)	1 585 185	1 742 616
	34 581 213	24 953 253
Net balance	69 924 976	55 635 120

11.03 Ageing of receivables from exchange and non-exchange transactions:

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.

Consumer debtors - electricity (exchange)

Current (0 – 30 days)	15 501 920	4 535 809
31 - 60 Days	1 482 777	10 511 390
61 - 90 Days	698 215	1 197 514
+ 90 Days	8 838 408	10 264 296
	26 521 320	26 509 009

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
Consumer debtors - water (exchange)			
Current (0 – 30 days)		11 080 397	2 272 532
31 - 60 Days		2 717 015	7 280 441
61 - 90 Days		2 915 837	4 575 612
+ 90 Days		52 166 183	60 245 938
		68 879 432	74 374 524
Consumer debtors - waste water (exchange)			
Current (0 – 30 days)		5 932 589	1 476 879
31 - 60 Days		2 714 365	7 129 764
61 - 90 Days		2 636 388	4 311 206
+ 90 Days		78 004 721	67 918 042
		89 288 063	80 835 891
Consumer debtors - refuse (exchange)			
Current (0 – 30 days)		3 279 476	570 943
31 - 60 Days		1 511 113	4 106 387
61 - 90 Days		1 447 961	2 452 298
+ 90 Days		43 935 285	38 705 807
		50 173 835	45 835 435
Consumer debtors - housing rentals (exchange)			
Current (0 – 30 days)		235 032	29 366
31 - 60 Days		37 450	34 951
61 - 90 Days		15 380	24 117
+ 90 Days		541 393	1 000 650
		829 255	1 089 084
Consumer debtors - sundries (exchange)			
Current (0 – 30 days)		3 941 166	348 051
31 - 60 Days		94 764	618 708
61 - 90 Days		140 109	355 881
+ 90 Days		4 874 284	6 592 103
		9 050 323	7 914 743
Consumer debtors - rates (non-exchange)			
Current (0 – 30 days)		8 448 150	1 085 137
31 - 60 Days		2 019 823	10 428 037
61 - 90 Days		1 522 557	3 547 219
+ 90 Days		40 350 944	33 494 120
		52 341 473	48 554 513
Consumer debtors - electricity (non-exchange)			
Current (0 – 30 days)		679 062	299 493
31 - 60 Days		93 239	92 637
61 - 90 Days		89 015	82 402
+ 90 Days		1 873 854	2 864 728
		2 735 170	3 339 260

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
Consumer debtors - water (non-exchange)			
Current (0 – 30 days)		649 540	448 997
31 - 60 Days		147 409	177 173
61 - 90 Days		144 255	140 806
+ 90 Days		3 808 352	4 277 926
		4 749 556	5 044 901
Consumer debtors - waste water (non-exchange)			
Current (0 – 30 days)		195 634	114 427
31 - 60 Days		37 863	30 496
61 - 90 Days		26 770	24 799
+ 90 Days		697 692	562 499
		957 959	732 220
Consumer debtors - refuse (non-exchange)			
Current (0 – 30 days)		295 124	327 218
31 - 60 Days		121 655	138 612
61 - 90 Days		114 506	112 811
+ 90 Days		2 838 803	2 125 423
		3 370 087	2 704 063
Fines (non-exchange)			
Current (0 – 30 days)		2 929 350	2 682 550
31 - 60 Days		2 771 700	2 839 550
61 - 90 Days		3 539 850	2 598 650
+ 90 Days		77 334 167	42 278 660
		86 575 067	50 399 410
Consumer debtors - sundries (non-exchange)			
Current (0 – 30 days)		16 247	526 108
+ 90 Days		1 568 937	1 216 508
		1 585 185	1 742 616
Total			
Current (0 – 30 days)		53 183 686	14 717 509
31 - 60 Days		13 749 173	43 388 146
61 - 90 Days		13 290 842	19 423 315
+ 90 Days		316 833 023	271 546 700
		397 056 725	349 075 670
11.04 Summary of debtors by customer classification			
Residential			
Current (0 – 30 days)		48 325 263	8 445 123
31 - 60 Days		12 811 895	41 110 493
61 - 90 Days		12 471 090	18 462 588
+ 90 Days		290 653 981	257 906 669
		364 262 230	325 924 873
Less: Allowance for impairment		(320 033 414)	(274 197 083)
		44 228 816	51 727 790



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
Industrial/ commercial			
Current (0 – 30 days)		4 503 660	5 722 586
31 - 60 Days		819 476	1 907 196
61 - 90 Days		724 690	785 627
+ 90 Days		24 125 025	12 088 818
		30 172 851	20 504 227
Less: Allowance for impairment		(6 043 247)	(17 105 573)
		24 129 604	3 398 654
National and provincial government			
Current (0 – 30 days)		354 762	549 800
31 - 60 Days		117 803	370 457
61 - 90 Days		95 061	175 100
+ 90 Days		2 054 016	1 551 213
		2 621 643	2 646 570
Less: Allowance for impairment		(1 055 087)	(2 137 894)
		1 566 556	508 676
Total			
Current (0 – 30 days)		53 183 686	14 717 509
31 - 60 Days		13 749 173	43 388 146
61 - 90 Days		13 290 842	19 423 315
+ 90 Days		316 833 023	271 546 700
		397 056 725	349 075 670
Less: Allowance for impairment		(327 131 748)	(293 440 550)
		69 924 976	55 635 120

11.05 Trade and other receivables pledged as security

No receivables are pledged as security for financial liabilities

11.06 Fair value of trade and other receivables

Due to the short term nature of receivables the carrying amount disclosed in note 11 of the financial statements is an approximation of its fair value.

11.07 Reconciliation of allowance for impairment

Balance at beginning of the year	293 440 550	287 199 112
Contributions to allowance	281 620 786	24 998 181
Reversal of allowance	(247 929 588)	(18 756 743)
Balance at end of year	327 131 748	293 440 550

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
The total amount of this provision consists of:		
Consumer debtors - electricity (exchange)	10 187 874	10 645 763
Consumer debtors - water (exchange)	62 472 434	69 240 442
Consumer debtors - waste water (exchange)	84 062 591	76 049 357
Consumer debtors - refuse (exchange)	47 558 460	43 137 831
Consumer debtors - housing rentals (exchange)	884 670	1 021 534
Consumer debtors - sundries (exchange)	4 232 436	5 781 893
Consumer debtors - rates (non-exchange)	32 013 485	32 268 578
Consumer debtors - electricity (non-exchange)	2 407 504	2 858 037
Consumer debtors - water (non-exchange)	4 137 515	3 983 381
Consumer debtors - waste water (non-exchange)	803 790	560 578
Consumer debtors - refuse (non-exchange)	3 130 832	2 382 195
Fines (non-exchange)	75 240 158	45 510 962
	327 131 748	293 440 550

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

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

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

12 VAT RECEIVABLE

VAT	4 585 141	7 904 394
	4 585 141	7 904 394

Net VAT receivable

VAT receivable	R 212 583 821	R 165 551 234
VAT payable	R (207 998 680)	R (157 646 840)
	R 4 585 141	R 7 904 394

13 GRANTS

Operational

Monetary allocations - other

Monetary Allocations - Other - Departmental Agencies And Accounts: National Departmental Agencies: Local Government, Water And Related Service SETA

496 544	351 844
496 544	351 844

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
Monetary Allocations: District Municipalities			
Safety Plans		120 000	-
		120 000	-
Monetary Allocations: Provincial Government			
Informal Settlement Upgrading Partnership: Provinces (Beneficiaries)		2 836 996	-
Local Government Public Employment Support		127 771	-
Library Services Replacement Funding for most vulnerable B3 Municipalities		(0)	306 460
Local Government Graduate Internship		0	266 175
Financial Management Capacity Building		-	75 142
Community Development Workers (CDW)		15 616	51 894
Human Settlement Development		(15 590 971)	(16 165 067)
Disaster Management: Emergency Housing		-	0
Regional Social Economic Projects (RSEP)		894 628	1 869 771
Municipal Disaster		-	7
Municipal Library Support		(0)	-
		(11 715 961)	(13 595 617)
Monetary Allocations: National Government			
Expanded Public Works Programme Integrated Municipal Infrastructure		0	454
		1 588 228	454 503
Integrated National Electrification Programme		15 414	56 293
		1 603 642	511 250
Total grants		(9 495 775)	(12 732 523)
Unspent conditional grants		6 095 196	3 432 545
Unpaid conditional grants		(15 590 971)	(16 165 067)
		(9 495 775)	(12 732 523)
See below for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.			
Conditional and unconditional			
Included in above are the following grants and subsidies received:			
Conditional grants received		80 347 636	48 669 156
Unconditional grants received		111 442 000	121 667 671
		191 789 636	170 336 827

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
13.1 Grants breakdown			
Monetary Allocations - Other - Departmental Agencies And Accounts:National Departmental			
13.1.0.01 Agencies:Local Government, Water And Related Service SETA			
Opening balance		351 844	706 759
Receipts		420 756	401 410
Conditions met - transferred to revenue - operating		(276 057)	(756 325)
Conditions still to be met - remain liabilities.		496 544	351 844
13.1.0.02 Safety Plans			
Receipts		120 000	-
Conditions still to be met - remain liabilities.		120 000	-
13.1.1.02 Monetary Allocations:Provincial Government			
13.1.1.03 Informal Settlement Upgrading Partnership: Provinces (Beneficiaries)			
Receipts		7 954 369	-
Conditions met - transferred to revenue - operating		(5 117 373)	-
Conditions still to be met - remain liabilities.		2 836 996	-
13.1.1.04 Local Government Public Employment Support			
Receipts		1 200 000	-
Conditions met - transferred to revenue - operating		(1 072 229)	-
Conditions still to be met - remain liabilities.		127 771	-
13.1.1.05 Library Services Replacement Funding for most vulnerable B3 Municipalities			
Opening balance		306 460	306 460
Receipts		9 884 000	11 018 000
Conditions met - transferred to revenue - operating		(9 884 000)	(11 018 000)
Re-payment of unspent grant		(306 460)	-
Conditions still to be met - remain liabilities.		-	306 460
13.1.1.06 Financial Management Support - Drought			
Receipts		-	734 000
Conditions met - transferred to revenue - capital		-	(734 000)
Conditions still to be met - remain liabilities.		-	-
13.1.1.07 Local Government Graduate Internship			
Opening balance		266 175	266 175
Conditions met - transferred to revenue - operating		(0)	-
Re-payment of unspent grant		(266 175)	-
Conditions still to be met - remain liabilities.		-	266 175

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
13.1.1.08 Financial Management Capacity Building			
Opening balance		75 142	75 142
Receipts		250 000	-
Conditions met - transferred to revenue - operating		(250 000)	-
Re-payment of unspent grant		(75 142)	-
Conditions still to be met - remain liabilities.		-	75 142
13.1.1.09 Community Development Workers (CDW)			
Opening balance		51 894	37 967
Receipts		19 000	19 000
Conditions met - transferred to revenue - operating		(3 384)	(5 073)
Re-payment of unspent grant		(51 894)	-
Conditions still to be met - remain liabilities.		15 616	51 894
13.1.1.1 Community Library Services			
Receipts		1 329 000	-
Conditions met - transferred to revenue - operating		(1 329 000)	-
Conditions still to be met - remain liabilities.		-	-
13.1.1.11 Human Settlement Development			
Opening balance		(16 165 067)	(10 065 796)
Receipts		15 570 510	4 286 746
Conditions met - transferred to revenue - operating		(1 173 466)	(10 386 017)
Conditions met - transferred to revenue - capital		(13 822 948)	-
Conditions still to be met - remain liabilities.		(15 590 971)	(16 165 067)
13.1.1.12 Proclaimed Roads Maintenance			
Receipts		230 000	870 000
Conditions met - transferred to revenue - operating		(230 000)	(870 000)
Conditions still to be met - remain liabilities.		-	-
13.1.1.130 Disaster Management: Emergency Housing			
Opening balance		0	0
Conditions met - transferred to revenue - operating		(0)	-
Conditions still to be met - remain liabilities.		-	0
13.1.1.14 Municipal Disaster			
Opening balance		7	7
Conditions met - transferred to revenue - operating		(7)	-
Conditions still to be met - remain liabilities.		-	7

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
13.1.1.15 Thusong Services Centres			
Receipts		150 000	-
Conditions met - transferred to revenue - operating		(150 000)	-
Conditions still to be met - remain liabilities.		-	-
13.1.1.16 Regional Social Economic Projects (RSEP)			
Opening balance		1 869 771	2 350 504
Receipts		500 000	3 000 000
Conditions met - transferred to revenue - capital		(1 419 479)	(3 480 733)
Re-payment of unspent grant		(55 664)	-
Conditions still to be met - remain liabilities.		894 628	1 869 771
13.1.1.17 Western Cape Municipal Energy Resilience (WC MER)			
Receipts		750 000	-
Conditions met - transferred to revenue - operating		(750 000)	-
Conditions still to be met - remain liabilities.		-	-
13.1.1.18 Electricity Master Plan			
Receipts		-	800 000
Conditions met - transferred to revenue - operating		-	(800 000)
Conditions still to be met - remain liabilities.		-	-
13.1.1.19 Municipal Library Support			
Receipts		911 000	-
Conditions met - transferred to revenue - operating		(634 076)	-
Conditions met - transferred to revenue - capital		(276 924)	-
Conditions still to be met - remain liabilities.		(0)	-
13.1.2 Monetary Allocations:National Government			
13.1.2.01 Energy Efficiency And Demand Side Management			
Opening balance		-	22 671
Receipts		4 159 000	-
Conditions met - transferred to revenue - operating		(4 159 000)	-
Re-payment of unspent grant		-	(22 671)
Conditions still to be met - remain liabilities.		-	-
13.1.2.02 Expanded Public Works Programme Integrated			
Opening balance		454	-
Receipts		996 000	2 173 000
Conditions met - transferred to revenue - operating		(996 000)	(2 172 546)
Re-payment of unspent grant		(454)	-
Conditions still to be met - remain liabilities.		(0)	454

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
13.1.2.03 Local Government Financial Management			
Receipts		1 550 000	1 550 000
Conditions met - transferred to revenue - operating		(1 550 000)	(1 550 000)
Conditions still to be met - remain liabilities.		-	-
13.1.2.04 Municipal Infrastructure			
Opening balance		454 503	5 422 959
Receipts		30 104 000	19 817 000
Conditions met - transferred to revenue - capital		(28 515 772)	(24 785 456)
Re-payment of unspent grant		(454 503)	-
Conditions still to be met - remain liabilities.		1 588 228	454 503
13.1.2.05 Integrated National Electrification Programme			
Opening balance		56 293	-
Receipts		4 250 000	4 000 000
Conditions met - transferred to revenue - capital		(4 234 836)	(3 943 707)
Re-payment of unspent grant		(56 043)	-
Conditions still to be met - remain liabilities.		15 414	56 293
13.1.2.06 National Government:Equitable Share			
Receipts		111 442 000	121 667 671
Conditions met - transferred to revenue - operating		(111 442 000)	(121 667 671)
Conditions still to be met - remain liabilities.		-	-
13.1.2.07 Total grants			
Opening balance		(12 732 523)	(877 151)
Receipts		191 789 636	170 336 827
Conditions met - transferred to revenue - operating		(139 016 593)	(149 225 632)
Conditions met - transferred to revenue - capital		(48 269 960)	(32 943 895)
Re-payment of unspent grant		(1 266 335)	(22 671)
Conditions still to be met - remain liabilities.		(9 495 775)	(12 732 523)
14 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cashier floats		3 880	3 880
Cash at bank		48 623 386	21 902 364
Short-term deposits		-	51 554 231
		48 627 266	73 460 475
Current assets		48 627 266	73 460 475

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

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
Reconciliation of available cash and investment resources		
The Following are Cash and Investment Resources held that are held by the municipality but may not be used for other than the intended purposes as stated below:		
Cash and cash equivalents	48 627 266	73 460 475
Non - current investments	-	9 107 254
Current investments	9 857 448	-
	58 484 714	82 567 728
Less:		
Unspent conditional grants	6 095 196	3 432 545
Unspent public contributions and donations	-	498 469
Secured Investments - DBSA (Nedbank)	5 243 673	5 243 673
Consumer deposits	9 848 007	9 013 287
Capital Replacement Reserve	18 550 009	102 000 000
Resources available for working capital requirements	18 747 829	(37 620 246)

The municipality had the following bank accounts as at 1 July: -

Nedbank - current account number 1089911513 (Primary bank account)	9 574 069	79 155 702
Nedbank - current account number 1089913079 (Traffic account)	40 684	123 501
Nedbank - current account number 1089913974 (Direct deposits)	901 947	3 174 272
Standard bank - current account number 372884709 (Primary bank account)	11 190 274	-

The municipality had the following bank accounts as at 30 June: -

Nedbank - current account number 1089911513 (Primary bank account)	1 975 173	9 574 069
Nedbank - current account number 1089913079 (Traffic account)	60 302	40 684
Nedbank - current account number 1089913974 (Direct deposits)	1 132 909	901 947
Standard bank - current account number 372884709 (Primary bank account)	19 464 330	11 190 274
Standard bank - current account number 372884741 (Bitou grants)	25 694 868	-

Cash book balance at beginning of year	21 902 364	82 625 526
Cash book balance at end of year	48 623 386	21 902 364
Bank statement balance at beginning of year	21 706 974	82 453 475
Bank statement balance at end of year	48 327 582	21 706 974

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
15 BORROWINGS			
At amortised cost			
Annuity loans			
Banks: ABSA			
ABSA - 2015/2016		10 525 495	12 545 192
ABSA - 2016/2017		15 529 786	17 822 873
		26 055 281	30 368 065
Banks: Nedbank			
Nedbank - 7831 033912 / 000 001		4 305 108	5 434 523
Nedbank - 2017/2018		22 134 392	24 670 938
		26 439 501	30 105 461
Banks: Standard Bank			
Standard Bank - 282024913(old acc number)/ 000537504(new acc number)		7 273 289	9 206 096
Standard Bank - 282044426		(0)	(0)
Standard Bank - 282029087(old acc number)/ 000536658(new acc number)		(0)	1 177 863
Standard Bank - 251981282(old acc number)/ 000536894(new acc number)		0	1 142 997
Standard Bank - 282022589(old acc number)/ 000537648(new acc number)		1 888 488	3 583 814
Standard Bank - 082602247(old acc number)/ 000536665(new acc number)		3 577 351	5 088 442
Standard Bank - 082602573		0	0
		12 739 129	20 199 213
Banks: Development Bank of South Africa			
DBSA - 11200/102		0	0
DBSA - 100225/1		412 000	1 236 000
DBSA - 103437/1		16 198 315	17 663 655
DBSA - 103437/2		682 438	971 764
		17 292 753	19 871 419
Annuity loans total		82 526 663	100 544 158
Borrowings total		82 526 663	100 544 158

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
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Development Bank loans

Bitou Local Municipality currently has 3 active loans with the Development Bank of South Africa. The loans instalments are payable bi annually, during December and June, on a "fixed capital plus interest" basis as per loan agreements. Interest rates applicable on the loans vary from 10.86% to 11.4%. Maturity dates on the loans range from December 2022 to June 2029. All the loans are unsecured, apart from the sinking fund as mentioned in the note below. The loans are unsecured.

A non current investment to establish a sinking fund, amounted to R 5, 244m has been invested with Nedbank to serve as a contractual collateral on loans (loan WC 13665 and WC 100225) from Development Bank of Southern Africa.

Standard Bank loans

Bitou Local Municipality currently has 3 active loans with Standard bank. The loans instalments are payable bi annually, during December and June. Interest rates applicable on the loans vary from 10.94% to 11.45%. Maturity dates on the loans range from June 2023 to June 2025. The loans are unsecured. Two Standard bank loans, with references 000536658 and 000536894, were paid in full during the financial year. The loans are unsecured.

Nedbank loans

Bitou Local Municipality currently has 2 active loans with Nedbank. One of the loans are repayable in monthly instalments, while the second loan is payable bi annually, during December and June. Interest rates applicable on the loans vary from 10.54% to 11.81%. Maturity dates on the loans are June 2025 and June 2028 respectively. The loans are unsecured.

ABSA loans

Bitou Local Municipality currently has 2 active loans with ABSA. The loans instalments are payable bi annually, during December and June. Interest rates applicable on the loans vary from 10.04 % to 10.36%. Interest are compounded monthly on the Absa 2017/2018 loan (R20 million loan amount at 10,36% pa). Maturity dates on the loans are June 2026 and June 2027 respectively. The loans are unsecured.

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.

Non-current liabilities	65 547 008	82 498 638
Current liabilities	16 979 655	18 045 519
Total borrowings	82 526 663	100 544 158

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
15.1 The obligations under annuity loans are scheduled below:			
Amounts payable under annuity loans			
Within 1 year		25 357 752	28 306 266
Between 1 and 5 years		71 544 733	96 860 497
After 5 years		11 861 312	11 800 613
Less: Future finance obligations		(26 237 135)	(36 423 218)
Present value of annuity loans obligations		82 526 663	100 544 158

15.2 Utilisation of long-term liabilities reconciliation

Long-term borrowings	82 526 663	100 544 158
Used to finance property, plant and equipment	(82 526 663)	(100 544 158)

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act

Refer to Appendix B for more detail on borrowings.

16 FINANCE LEASE LIABILITIES

At amortised cost

Standard Bank

Finance lease - SCM/2020/20/ENG	6 099 547	10 508 225
	6 099 547	10 508 225

Standard bank

The municipality has entered into a vehicle finance lease agreement with Standard Bank. The lease repayment period are for 36 months, starting 30 August 2020. Lease instalments are payable monthly. No escalation is applicable.

The effective rate is fixed at 9.55%

The fair value of finance lease liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Non-current liabilities	1 250 915	6 674 592
Current liabilities	4 848 632	3 833 633
Total borrowings	6 099 547	10 508 225

16.1 The obligations under finance leases are scheduled below:

Amounts payable under finance leases			
Within 1 year	5 222 731	5 222 731	
Between 1 and 5 years	1 272 881	6 495 612	
Less: Future finance obligations	(396 065)	(1 210 118)	
Present value of finance lease obligations	6 099 547	10 508 225	

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
16.2 Utilisation of finance lease liabilities reconciliation			
Finance lease liabilities		6 099 547	10 508 225
Used to finance property, plant and equipment		(6 099 547)	(10 508 225)

Finance lease liabilities have been utilized in accordance with the Municipal Finance Management Act

Refer to Appendix B for more detail on finance leases.

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
17 EMPLOYEE BENEFIT OBLIGATION			
Post-retirement benefits	17.1	70 208 890	67 005 000
Long service awards	17.2	13 663 513	12 184 000
Total non-current employee benefit liabilities		83 872 403	79 189 000
17.1 Post retirement benefits			
Opening balance		68 989 000	58 186 999
Current service cost		6 574 850	4 152 000
Interest cost		6 972 000	6 156 000
Actual employer benefit payments		(3 037 700)	(1 584 190)
Actuarial loss/ (gain) recognised in the year		(7 205 340)	2 078 191
Closing balance		72 292 810	68 989 000
Less: Transfer of current portion		(2 083 920)	(1 984 000)
Non-current portion		70 208 890	67 005 000
17.2 Long-service awards			
Opening balance		12 937 000	11 306 000
Contributions for the year		1 410 000	1 226 000
Interest cost for the year		1 209 000	839 000
Expenditure for the year		(602 475)	(1 216 593)
Actuarial loss/(gain)		430 473	782 593
Closing balance		15 383 998	12 937 000
Less: Transfer of current portion		(1 720 485)	(753 000)
Non-current portion		13 663 513	12 184 000



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
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17.3 Post-retirement benefits

The post retirement benefit plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	489	494
In-service (employee)- non members	49	54
Continuation members (e.g. Retirees, widows, orphans)	44	43
Total members	582	591

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

	R	R
In-service (employee) members	48 402 724	46 853 000
In-service (employee)- non members	466 775	452 000
Continuation members (e.g. Retirees, widows, orphans)	23 423 311	21 684 000
Total liability - unfunded	72 292 810	68 989 000

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

	2020 R	2019 R	2018 R	2017 R
In-service (employee) members	39 666 000	44 237 818	77 084 170	72 511 038
In-service (employee)- non members	365 000	391 250	2 579 704	3 009 265
Continuation members (e.g. Retirees, widows, orphans)	18 156 000	17 423 874	16 537 120	18 250 143
Total liability	58 187 000	62 052 942	96 200 994	93 770 446

Experience adjustments were calculated as follows:

	2022 R'000	2021 R'000	2020 R'000	2019 R'000
Liabilities: (gain) / loss	(6 547)	(4 387)	1 200	(6 771)
Total liability	(6 547)	(4 387)	1 200	(6 771)



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
<p>The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:</p> <ul style="list-style-type: none"> ▪ Bonitas ▪ LA Health ▪ SAMWUMed ▪ KeyHealth ▪ Hosmed 		
<p>Key assumptions used</p>		
<p>i) Rate of interest</p>		
	%	%
Discount rates used	13.13%	10.25%
Health care cost inflation rate	9.65%	6.91%
Net discount rate	3.17%	3.12%
<p>ii) Mortality rates</p>		
<p>The PA 90 ultimate table, adjusted down by 1 year of age was used by the actuaries</p>		
<p>The SA 85-90 table was used by the actuaries for current employees</p>		
<p>iii) Normal retirement age</p>		
<p>It has been assumed that in-service members will retire at an average age of 62 years, which then implicitly allows for expected rates of early and ill-health retirement. In 2018 it was 57 years.</p>		



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
The amount recognised in the statement of financial position is as follows:		
Present value of fund obligations	2 083 920	1 984 000
Net liability - unfunded	2 083 920	1 984 000
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	68 989 000	58 186 999
Current service cost (Included in employee cost in the statement of financial performance)	6 574 850	4 152 000
Interest cost (Included in employee cost in the statement of financial performance)	6 972 000	6 156 000
Benefits paid	(3 037 700)	(1 584 190)
Actuarial gain/(losses) (included in employee cost in the statement of financial performance)	(7 205 340)	2 078 191
Present value of fund obligation at the end of the year	72 292 810	68 989 000
Less: Transfer of current portion	(2 083 920)	(1 984 000)
Balance 30 June	70 208 890	67 005 000

The total liability has increased by 4.8% (or R 3.304 million) since the last valuation. The main reasons for the actual movement in the liability are:

- an increase in the average age which means members are closer to retirement (less discounting) and less likely before retirement
- an increase in the average past service
- an increase in the average post-employment subsidy
- an increase in the net discount rate

Sensitivity analysis on the accrued liability in (R millions) on 30 June 2022

Assumptions	In-service members liability R'000	In-service Non- members liability R'000	Continuation members liability R'000	Total liability R'000
Central Assumptions	48 403	467	23 423	72 293
	48 403	467	23 423	72 293



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R			2021 R
MEDICAL INFLATION AND DISCOUNT RATE				
Medical inflation Rate				
	1% decrease	30 June 2022 Valuation basis	1% increase	
	R	R	R	
Employer's accrued liability	62 546 878	72 292 810	83 929 112	
Employer's service cost (year following)	4 335 263	5 209 350	6 277 130	
Employer's interest cost (year following)	8 091 183	9 355 236	10 897 560	
Discount rate	R	R	R	
Employer's accrued liability	83 499 766	72 292 810	63 003 180	
Employer's service cost (year following)	6 192 949	5 209 350	4 405 351	
Employer's interest cost (year following)	8 907 062	9 355 236	7 685 638	
AVERAGE RETIREMENT AGE				
	30 June 2022 Valuation basis		Average Retirement Age - 1 year	
	R		R	
Employer's accrued liability	72 292 810		77 527 432	
Employer's service cost (year following)	5 209 350		5 394 239	
Employer's interest cost (year following)	9 355 236		10 042 542	
MORTALITY				
	30 June 2022 Valuation basis		PA (90) -1	
	R		R	
Employer's accrued liability	72 292 810		74 421 313	
Employer's service cost (year following)	5 209 350		5 346 551	
Employer's interest cost (year following)	9 355 236		9 649 495	
CONTINUATION OF MEDICAL AID AT RETIREMENT				
	30 June 2022 Valuation basis		Continuation Rate - 10%	
	R		R	
Employer's accrued liability	72 292 810		65 813 371	
Employer's service cost (year following)	5 209 350		2 610 970	
Employer's interest cost (year following)	9 355 236		8 502 650	



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R	
17.4 Long service bonuses			
The post retirement benefit plan is a defined benefit plan, are made up as follows:			
As at year end, the following number of employees were eligible for long service bonuses.	538	548	
The current-service cost for the ensuing year is estimated to be R1.481 million, whereas the interest cost for the next year is estimated to be R1.587 million:			
Key assumptions used			
i) Rate of interest			
	%	%	
Discount rates used	10.93%	9.62%	
Salary Increase rate	7.76%	5.91%	
Net Discount Rate	2.94%	3.50%	
The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".			
The amount recognised in the statement of financial position is as follows:			
	R	R	
Present value of fund obligations	15 383 998	12 937 000	
Net liability - unfunded	15 383 998	12 937 000	
The liability in respect of periods commencing prior to the comparative year has been:			
	2020 R	2019 R	2018 R
In-service (employee) members	11 306 000	10 952 070	6 572 956
Total liability	11 306 000	10 952 070	6 572 956

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
Experience adjustments were calculated as follows:		
	2022 R	2021 R
	2020 R	2019 R
Liabilities: (gain) / loss	36 084	999 593
Total liability	36 084	999 593

Reconciliation of present value of fund obligation:

	R	R
Present value of fund obligation at the beginning of the year	12 937 000	11 306 000
Current service cost (Included in employee cost in the statement of financial performance)	1 410 000	1 226 000
Interest cost (Included in employee cost in the statement of financial performance)	1 209 000	839 000
Benefits paid	(602 475)	(1 216 593)
Actuarial gain/(losses) (included in employee cost in the statement of financial performance)	430 473	782 593
Present value of fund obligation at the end of the year	15 383 998	12 937 000
Less: Transfer of current portion	(1 720 485)	(753 000)
Balance 30 June	13 663 513	12 184 000

SALARY INCREASE AND DISCOUNT RATE

Salary Increase Rate

	1% decrease R	30 June 2022 Valuation basis R	1% increase R
Employer's accrued liability	14 421 765	15 383 998	16 450 833
Employer's current service cost	1 369 938	148 584	1 604 886
Employer's interest cost	1 482 274	1 587 446	1 704 052

Discount rate

	R	R	R
Employer's accrued liability	16 428 672	15 383 998	14 455 891
Employer's current service cost	1 602 287	148 584	1 373 838
Employer's interest cost	1 701 629	1 587 446	1 486 044



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R			2021 R
AVERAGE RETIREMENT AGE	2-year decrease	30 June 2022 Valuation basis	2-year increase	
	R	R	R	
Employer's accrued liability	13 781 538	15 383 998	17 684 376	
Employer's current service cost	1 327 988	148 584	1 642 542	
Employer's expense cost	1 412 298	1 587 446	1 838 878	
MORTALITY		30 June 2022 Valuation basis	SA85-90	
		R	R	
Employer's accrued liability		15 383 998	15 451 014	
Employer's current service cost		148 584	1 486 988	
Employer's expense cost		1 587 446	1 594 771	
WITHDRAWAL DECUREMENT	200% Withdrawal	30 June 2022 Valuation basis	50% Withdrawal	
	R	R	R	
Employer's accrued liability	12 227 818	15 383 998	17 570 073	
Employer's current service cost	1 091 533	148 584	1 766 503	
Employer's expense cost	1 242 476	1 587 446	1 826 385	

17.5 Retirement funds

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

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

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



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
LA RETIREMENT FUND		
<p>The contribution rate payable is 9% by members and 18% by council. The last actuarial valuation performed for the year ended 30 June 2022 revealed that the fund has a funding level of 104.9% (30 June 2021 -100%).</p>		
Contributions paid recognised in the statement of financial performance	287 478	387 441
CAPE RETIREMENT FUND		
<p>The contribution rate payable is 9% by members and 18% by council. The last actuarial valuation performed for the year ended 30 June 2022 revealed that the fund has a funding level of 133% (30 June 2021 -132.2%).</p>		
Contributions paid recognised in the statement of financial performance	24 918 083	22 611 573
DEFINED CONTRIBUTION FUNDS		
<p>Council contribute to the Government employees pension fund, Municipal council pension fund, IMATU retirement fund and SAMWU national provident fund which are defined contribution funds. The retirement benefit funds are 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.</p>		
Contributions paid recognised in the statement of financial performance.	181 332	140 319



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note

18 PROVISIONS

18.1 Reconciliation of provisions - 2022

	Opening balance R	Additions R	Utilised during the year R	Reversed during the year R	Change in discount factor R	Reduction due to remeasurement or settlement without cost to entity R	Total R
Legal proceedings	5 055 347	849 384	(4 738 453)	-	-	-	1 166 278
	5 055 347	849 384	(4 738 453)	-	-	-	1 166 278

18.2 Reconciliation of provisions - 2021

	Opening Balance R	Additions R	Utilised during the year R	Reversed during the year R	Change in discount factor R	Reduction due to remeasurement or settlement without cost to entity R	Total R
Environmental rehabilitation	23 422 749	-	-	(23 422 749)	-	-	-
Legal proceedings	4 486 755	3 161 627	(2 593 034)	-	-	-	5 055 347
Balance at the end of year	27 909 504	3 161 627	(2 593 034)	(23 422 749)	-	-	5 055 347

	2022 R	2021 R
Current Liabilities	1 166 278	5 055 347
Total Provisions	1 166 278	5 055 347



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note

18.3 Legal proceedings provision

- a) Bitou Local Municipality's legal council advised that the municipality settle out of court with the claimant. The amount provided for is a best estimate as advised.
- b) The Case against Bitou Local Municipality was settled in favour of the claimant. The municipality appealed the ruling and the outcome, but withdrew the appeal during January 2022. The amount is a best estimate.
- c) Due to an adjudication verdict in favour of the claimant, Bitou Local Municipality created a provision based on the outcome of the verdict.
- d) During the 2020-21 financial audit subsequent events were identified that spurred Bitou Local Municipality to create a provision for litigation.

19 LANDFILL SITE

Opening balance
Increases
Utilised during the year
Total current liabilities

	2022	2021
	R	R
	15 322 375	-
	-	23 422 749
	(15 322 375)	(8 100 375)
	-	15 322 375

19.1 Rehabilitation of landfill site - provision

The size (footprint) of the landfill site in Plettenberg bay cover an area of 41 327 m².

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. A closure licence with reference number E 13/2/10/1-D1/14-WL0023/12 was issued by the authorities on 31 March 2014 in this regard.

The estimate cost and date of decommission of the sites are as follows:

The decommissioning already happened. There is no remaining useful life and the tender for the construction has been awarded. Cost to rehabilitate is R 24.622 million.



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
20 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Control, clearing and interface accounts		64 301	-
Other creditors		2 266 206	309 180
Payments received in advance		22 750 618	22 146 141
Prepaid electricity		472 897	465 374
Retention		2 194 172	1 933 005
Trade payables		49 341 809	39 981 525
Unclaimed deposits		3 765 726	6 379 982
Total		80 855 729	71 215 207

Payables are being recognised net of any discounts.

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Other creditors mainly comprise deposits received towards services to be rendered to the municipality.

Unclaimed deposits are unknown banking deposits made on the municipality's banking accounts. No interest is raised and the credits held by the municipality are refunded once the services have been rendered or applied to the service account once the origin of the credit has been established. Management of the municipality is of the opinion that the carrying value of creditors approximate their fair values.

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.

Retentions do not include retention guarantees that are held by the respective financial institutions. however they are included as part of financial instruments and financial risk management

21 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Amounts paid in respect of fines withdrawn	-	633 701
Total	-	633 701

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
22 CONSUMER DEPOSITS			
Building plans		567 457	196 901
Electricity & water		9 223 457	8 764 014
Rental properties		57 093	52 372
Total		9 848 007	9 013 287
Guarantees held in lieu of electricity and water deposits		246 125	246 125

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, council utilizes the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

Management of the municipality is of the opinion that the carrying value of consumer deposits approximate their fair values.

The fair value of consumer deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

23 EMPLOYEE BENEFIT OBLIGATION

Current portion of post retirement benefits	17.1	2 083 920	1 984 000
Current portion of long-service awards	17.2	1 720 485	753 000
Leave	23.1	25 882 448	25 422 808
Annual bonus	23.2	4 599 799	4 521 009
Performance bonus	23.3	2 483 134	2 483 134
Total current employee benefit liabilities		36 769 786	35 163 951

The movement in current employee benefits are reconciled as follows:

23.1 Leave

Opening balance	25 422 808	21 491 147
Increases	2 897 974	6 667 126
Reductions (outflow of economic benefits)	(2 438 334)	(2 735 466)
Closing balance	25 882 448	25 422 808

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

23.2 Annual bonus

Opening balance	4 521 009	6 082 532
Increases	8 997 791	11 402 567
Reductions (outflow of economic benefits)	(11 331 294)	(10 551 797)
Reversals	2 412 292	-2 412 292
Closing balance	4 599 799	4 521 009

Bonuses are being paid to all municipal staff, excluding section 57 managers. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle.

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
23.3 Performance bonus			
Opening balance		2 483 134	2 022 473
Increases		-	562 044
Reductions (outflow of economic benefits)		-	(101 383)
Closing balance		2 483 134	2 483 134

Performance bonuses is paid only to Section 57 managers. Provision is made for the full cost of performance bonuses. This provision would be realised when performance appraisals is completed. Due to COVID a performance evaluation could not be concluded but will only be assessed in February, thus this is a best estimate

24 UNSPENT PUBLIC CONTRIBUTIONS AND DONATIONS

Operational

Unspent public contributions and donations (operational) - other

Nedbank	-	498 469
	-	498 469
Total operational	-	498 469
Total	-	498 469
Unspent public contributions and donations	-	498 469
	-	498 469

See below for reconciliation of public contributions and receipts. These amounts are invested in ring-fenced investment until utilised.

24.1 Operational

24.1.1 Unspent public contributions and donations (operational) - other

24.1.1.01 Nedbank

Opening balance	498 469	38 469
Receipts	-	460 000
Conditions met - transferred to revenue - operating	(498 469)	-
Conditions still to be met - remain liabilities.	-	498 469

To provide financial assistance to LED projects

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
24.1.1.02 Total operational public contributions and donations			
Opening Balance		498 469	38 469
Receipts		-	460 000
Conditions Met - Transferred to Revenue - Operating		(498 469)	-
Conditions still to be met - remain liabilities.		-	498 469
24.2 Total public contributions and donations			
Opening Balance		498 469	38 469
Receipts		-	460 000
Conditions Met - Transferred to Revenue - Operating		(498 469)	-
Conditions still to be met - remain liabilities.		-	498 469
25 RESERVES			
Capital Replacement Reserve		18 550 009	102 000 000
		18 550 009	102 000 000
25.01 CAPITAL REPLACEMENT RESERVE			
Opening balance		102 000 000	98 738 413
Restated opening balance		102 000 000	98 738 413
Transfers in		(51 672 624)	41 668 002
Transfers out		(31 777 367)	(38 406 415)
Closing balance		18 550 009	102 000 000
26 SERVICE CONCESSION ASSETS			
Bitou Local Municipality has no service concession assets			
27 SERVICE CHARGES (EXCHANGE)			
Refuse removal		33 408 870	42 604 945
Sale of electricity		200 312 999	167 289 977
Sale of water		80 732 462	75 277 615
Sewerage and sanitation charges		82 693 351	77 081 009
		397 147 683	362 253 546
28 RENDERING OF SERVICES			
Admission fees		53 444	403
Building/ town planning fees		5 219 781	3 596 798
Cemetary fees		47 842	54 119
Development charges		1 562 368	771 886
Escort/ road closure fees		5 824	5 222
Fire services		572 353	276 402
Housing (boarding services)		920 613	626 618
Other revenue from rendering of services		184 499	151 759
Parking and entrance fees		41 482	78 521
Photocopies, faxes an telephone charges		30 517	14 476
		8 638 723	5 576 205

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
29 CONSTRUCTION CONTRACTS AND RECEIVABLES			
At 30 June 2022, Bitou local municipality had no construction contracts in place			
30 RENTAL OF FACILITIES AND EQUIPMENT			
Premises			
Premises		838 272	479 894
		838 272	479 894
Facilities and equipment			
Rental of facilities		240 884	564 623
Rental of equipment		175 400	-
Airport hanger		-	104 340
		416 284	668 963
Total		1 254 556	1 148 857
31 INTEREST EARNED - CASH AND INVESTMENTS			
Bank accounts		2 507 679	1 468 886
Investments		1 239 096	5 131 924
		3 746 776	6 600 810
32 INTEREST CHARGED ON EXCHANGE TRANSACTIONS			
Electricity		908 271	823 503
Property rental debtors		50 718	32 092
Refuse removal		2 462 772	2 631 261
Waste water management		4 482 561	4 724 557
Water		4 226 478	4 509 105
Total		12 130 801	12 720 518
33 AGENCY SERVICES			
Vehicle registration		2 422 886	2 345 436
Total		2 422 886	2 345 436
34 LICENSES AND PERMITS (EXCHANGE)			
Boat		173 080	55 903
Road and transport		918 005	645 691
Trading		-	17 886
Total		1 091 085	719 480

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
35 OPERATIONAL REVENUE		
Administrative handling fees	306 401	363 562
Bad debts recovered	-	134 317
Breakages and losses recovered	1 706	1 332
Collection charges	26 591	540 106
Commision	244 685	139 302
Incidental cash surplus	3 878	148 195
Insurance refunds	1 003 327	313 966
Landing fees	162 029	135 332
Staff and councillors recoveries	333 483	353 225
Total	2 082 099	2 129 336

36 INVENTORIES REVERSAL TO NET REALISABLE VALUE

Inventories reversal to net realisable value	6 940 892	4 289 443
Total	6 940 892	4 289 443

37 PROPERTY RATES

37.1 Rates received

Residential	133 841 925	125 614 222
Commercial	17 367 301	16 420 018
State	1 914 810	3 928 470
Small holdings and farms	2 677 607	2 384 437
Industrial	1 316 685	940 453
Other	75 306	33 586
Total	157 193 635	149 321 185

37.2 Valuations

	R'000	R'000
Residential	25 721 447	21 953 042
Commercial	2 120 773	1 690 151
State	210 710	704 750
Municipal	647 982	1 718 760
Small holdings and farms	2 079 910	102 936
Industrial	129 860	585 757
Other	316 560	-
Total	31 227 242	26 755 396

Assessment rates are levied on the value of land and improvements, for which a valuation must be performed every 4 years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions. A new roll was implemented from 1 July 2021.

The tariff for residential properties is used as the basis for the calculation of property rates for all other categories. A business will pay 67% more than a household and farms or rural properties will pay 75% less than residential households

Rates are levied annually on property and are payable by 30 September. Owners are allowed to pay the annual assessment in 12 monthly instalments. Monthly rates are payable by the 7th of the following month. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

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.

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
37.3 Basic rate		c / κ	c / κ
Residential		0.536	0.574
Commercial		0.894	0.959
Small holdings and farms		0.134	0.143
Industrial		0.894	0.959
38 AVAILABILITY CHARGES (NON-EXCHANGE)			
Electricity - availability		2 156 063	2 049 593
Refuse - availability		4 014 880	3 838 033
Waste Water - availability		5 315 554	1 649 380
Water - availability		4 845 151	4 835 526
		16 331 649	12 372 532
39 INTEREST CHARGED ON NON-EXCHANGE TRANSACTIONS			
Property rates		2 646 549	1 857 654
Total		2 646 549	1 857 654
40 GOVERNMENT GRANTS AND SUBSIDIES			
Operating grants			
National Government			
Energy Efficiency and Demand Side Management		4 159 000	-
Extended public works program (EPWP)		996 000	2 172 546
Local Government Financial Management		1 550 000	1 550 000
Municipal Disaster Relief		7	-
Equitable Share		111 953 000	121 667 671
		118 658 007	125 390 217
Provincial Government			
Human Settlement Development (Beneficiaries)		1 173 466	10 386 017
Community Development Workers (CDW)		3 384	5 073
Proclaimed Roads Maintenance		230 000	870 000
Local Government Graduate Internship		0	-
Thusong Services Centres		150 000	-
Community Library Services		1 329 000	2 156 277
Capacity building and other - grant 6		5 117 373	-
Western Cape Municipal Energy Resilience (WC MER)		750 000	-
Capacity building and other - grant 8		1 072 229	-
Electricity master plan		-	800 000
Municipal replacement funding		9 884 000	8 773 593
Capacity building and other - grant 13		634 076	-
Capacity building and other - grant 14		250 000	-
		20 593 529	22 990 960
Local Government, Water And Related Service SETA		276 057	756 325
		276 057	756 325
Total operating grants		139 527 593	149 137 502



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
Capital grants			
National Government			
Integrated National Electrification Programme		4 234 836	3 943 707
Municipal Infrastructure		28 515 772	24 785 456
		32 750 608	28 729 163
Provincial Government			
Library Services Replacement Funding for most vulnerable		-	88 130
Regional Social Economic Projects (RSEP)		1 419 479	3 480 733
Human Settlement Development		13 822 948	-
Fire Services		-	734 000
Capacity building and other - grant 3		276 924	-
		15 519 351	4 302 863
Total capital grants		48 269 960	33 032 025
Total grants		187 797 553	182 169 528
41 PUBLIC CONTRIBUTIONS AND DONATIONS			
Nedbank - LED Contribution		498 469	-
Total		498 469	-
42 FINES, PENALTIES AND FORFEITS			
Court traffic fines		-	(7 054)
Disconnection fees penalties		40 006	111 626
Illegal connections fines		125 508	172 862
Municipal traffic fines		52 369 532	24 908 300
Overdue books fines		8 071	2 613
Retentions forfeits		445 150	2 416 234
Unclaimed money forfeits		1 442 196	2 241 173
Total		54 430 462	29 845 754

In terms of the requirements of GRAP 23 and IGRAP 1, all fines issued during the year less any cancellations or reductions identified are recognised as revenue.

42.1 MUNICIPAL TRAFFIC FINES REDUCED IN TERMS OF IGRAP 20

Fines reduced amount	827 425	225 950
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Reduced fines are requests that customers submit to either the local municipal office or court. It will state that the customers can't afford to pay the full fine issued therefore requesting for reduction formally.

For a 341 first notice the clients submit a letter to the traffic chief officer of the municipality who then decides whether the fine will be reduced or not, if approval is granted the traffic chief officer will indicate the reduced amount.

For summonses the letter is submitted to court where the public prosecutor decided on the reduced amount and/or decided whether the request for reduction is approved.

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
43 EMPLOYEE RELATED COSTS		
Basic	171 777 206	151 671 685
Performance bonus	702 985	24 967
Medical aid - company contributions	17 881 636	18 508 667
UIF and pension - company contributions	26 432 743	24 016 359
Workman's compensation (WCA)	-	902 237
Skills development levy (SDL)	2 124 397	1 715 644
Leave pay	2 951 536	7 159 026
Travel, motor car, accommodation, subsistence and other allowances	10 813 982	10 019 535
Overtime payments	15 170 240	14 787 599
Long-service awards	2 895 595	2 847 593
13th cheques	10 800 946	11 092 830
Danger allowance	-	1 648 434
Housing benefits and allowances	886 960	1 197 925
Contribution to post employment medical	4 740 798	11 240 857
Group insurance - company contributions	5 445 325	4 475 686
Standby allowances	5 626 225	5 379 036
Cellphone allowances	1 898 474	1 729 852
Other benefits	75 444	70 993
Total	280 224 496	268 488 924

43.01 Remuneration of municipal manager - Adv. LMR Ngoqo

Basic	543 555	1 087 428
Travel, motor car, accommodation, subsistence and other allowances	254 887	515 774
UIF and pension - company contributions	1 063	1 813
Medical aid - company contributions	28 639	57 277
Cellphone allowances	30 000	60 000
	858 144	1 722 292

Mr Ngoqo resigned on 31 December 2021.

43.02 Remuneration of municipal manager - RG Bosman

Basic	166 573	-
Travel, motor car, accommodation, subsistence and other allowances	40 436	-
UIF and pension - company contributions	354	-
Cellphone allowances	10 000	-
	217 363	-

Mr RG Bosman was appointed on 1 December 2021 and resigned on 25 January 2022.

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
43.03 Remuneration of municipal manager - NI Van Stade		
Basic	180 803	-
UIF and pension - company contributions	520	-
Cellphone allowances	7 500	-
Leave	11 075	-
	199 899	-

Mr NI Van Stade was appointed on 15 February 2022 and resigned on 1 April 2022.

43.04 Remuneration of municipal manager - M Memani		
Basic	263 593	-
Travel, motor car, accommodation, subsistence and other allowances	30 000	-
UIF and pension - company contributions	48 750	-
Cellphone allowances	15 000	-
	357 342	-

Mr M Memani was appointed on 04 April 2022.

43.05 Remuneration of chief financial officer - Mr BV Mkhafa		
Basic	-	379 890
Travel, motor car, accommodation, subsistence and other allowances	-	151 883
UIF and pension - company contributions	-	744
Cellphone allowances	-	25 000
13th cheques	-	75 966
	-	633 483

Mr. Mkhafa resigned on 30 November 2020

43.06 Remuneration of chief financial officer - Mr M Dyushu		
Basic	891 560	297 187
Travel, motor car, accommodation, subsistence and other allowances	466 693	155 564
UIF and pension - company contributions	2 125	623
Cellphone allowances	60 000	20 000
Leave	90 677	-
	1 511 055	473 374

Mr. Dyushu was appointed on 01 March 2021. He resigned on 30 June 2022

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
43.07 Remuneration of director corporate services - Me MP Mpahlwa		
Basic	745 017	313 638
Travel, motor car, accommodation, subsistence and other allowances	428 293	178 455
UIF and pension - company contributions	136 365	44 356
Medical aid - company contributions	50 494	14 532
Cellphone allowances	60 000	25 000
	1 420 168	575 982

Me. Mpahlwa was appointed on the 01 February 2021

43.08 Remuneration of director community services - Mr TM Sompani

Basic	826 106	780 294
Travel, motor car, accommodation, subsistence and other allowances	363 347	436 016
UIF and pension - company contributions	1 771	1 813
Cellphone allowances	50 000	60 000
Leave	44 024	-
	1 285 248	1 278 124

Mr TM Sompani past away on 26 April 2022

43.09 Remuneration of director community services - MJ Fourie

Basic	223 049	-
UIF and pension - company contributions	531	-
Cellphone allowances	15 000	-
	238 581	-

Mr. MJ Fourie's contract started on 1 March 2022 and ended on 31 May 2022

43.10 Remuneration of director economic planning and development - Mr D Friedman

Basic	-	285 626
Travel, motor car, accommodation, subsistence and other allowances	-	193 346
UIF and pension - company contributions	-	595
Medical aid - company contributions	-	11 561
Cellphone allowances	-	29 700
Leave	-	145 083
	-	665 911

Mr. Friedman's contract ended at the end of October 2020

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
43.11 Remuneration of director economic planning and development - Mr L Gericke		
Basic	910 116	606 915
Travel, motor car, accommodation, subsistence and other allowances	226 693	151 128
UIF and pension - company contributions	165 999	110 467
Medical aid - company contributions	57 277	38 185
Cellphone allowances	60 000	40 000
	1 420 085	946 696

Mr. Gericke was appointed on the 01 November 2020

43.12 Remuneration of director engineering services - Mr MJ Rhode

Basic	-	257 662
Travel, motor car, accommodation, subsistence and other allowances	-	70 730
Performance bonus	-	101 383
UIF and pension - company contributions	-	446
Medical aid - company contributions	-	9 628
Cellphone allowances	-	15 000
	-	454 849

Mr. Rhode was appointed as Senior Manager: PMU as of 01 October 2020

43.13 The aggregated effect of remuneration of key management personnel

Basic	4 750 372	4 008 640
Travel, motor car, accommodation, subsistence and other allowances	1 810 348	1 852 896
Performance bonus	-	101 383
UIF and pension - company contributions	357 479	160 857
Medical aid - company contributions	136 410	131 183
Cellphone allowances	307 500	274 700
Leave	145 776	145 083
13th cheques	-	75 966
	7 507 884	6 750 709

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	2022	2021
	R	R
44 REMUNERATION OF COUNCILLORS		
44.1 List of councillors		
Councillor J. Kam Kam	546 746	394 018
Councillor D. Swart	680 140	316 830
Councillor T. Mhlana	202 819	-
Councillor CN. Terblanche	459 827	-
Councillor SA. Mangxaba	202 819	-
Councillor NT. Seti	202 819	-
Councillor AR. Olivier	472 337	316 830
Councillor X. Matyila	114 011	316 830
Councillor AS. Windvogel	114 010	316 830
Councillor MM. Mbali	248 312	690 046
Councillor MP. Busakwe	459 827	-
Councillor SE. Gcabayi	495 315	739 950
Councillor WJ. Nel	547 263	316 830
Councillor NS. Ndayi	316 830	316 830
Councillor MAM. Botha	202 819	-
Councillor NP. Kholwapi	244 768	-
Councillor PM . Lobese	61 206	784 899
Councillor EV. Wildeman	263 801	733 088
Councillor LM. Seyisi	248 312	690 046
Councillor VP . Van Rhyner	114 011	316 830
	6 197 993	6 249 856



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

2022
R
2021
R
2022

44.2 Remuneration paid to councillors can be summarised as follows:

	Basic salary	Motor vehicle allowance	Cell phone and data allowances	Medical aid contributions	Pension contributions	Housing allowance	In-kind and other benefits and allowances	Total
	R	R	R	R	R	R	R	R
Executive mayor	447 623	-	29 600	11 520	85 788	-	-	574 530
Deputy executive mayor	537 378	71 738	51 800	10 080	70 466	-	-	741 462
Mayoral committee members	1 045 308	126 734	91 155	7 200	20 302	107 608	-	1 398 307
Speaker	587 565	57 391	44 400	-	34 272	-	-	723 628
Councillors	2 096 827	-	352 845	63 360	100 188	-	146 847	2 760 066
	4 714 702	255 863	569 799	92 160	311 015	107 608	146 847	6 197 993

The newly elected executive council was sworn in on 18 November 2021.

44.3 Remuneration paid to councillors can be summarised as follows:

2021

	Basic salary	Motor vehicle allowance	Cell phone and data allowances	Medical aid contributions	Pension contributions	Housing allowance	In-kind and other benefits and allowances	Total
	R	R	R	R	R	R	R	R
Executive mayor	460 155	190 697	44 400	17 280	72 367	-	-	784 899
Deputy executive mayor	440 980	172 172	44 400	17 280	65 118	-	-	739 950
Mayoral committee members	890 282	-	88 800	17 280	60 907	322 823	-	1 380 092
Speaker	437 725	172 172	44 400	-	78 791	-	-	733 088
Councillors	1 956 566	-	355 200	34 560	109 990	-	155 512	2 611 828
	4 185 708	535 041	577 200	86 400	387 172	322 823	155 512	6 249 856

Councillor Lobese MP was the executive mayor up until March 2021. Subsequently he was serving as ordinary councillor until 31 October 2021.



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

2022	2021
R	R

In-kind Benefits

The executive mayor, deputy executive mayor, speaker and mayoral committee members are full-time members. Each is provided with an office and secretarial support at the cost of the council.

The executive mayor is entitled to stay at the mayoral residence owned by council at no cost and the use of a council owned vehicle for official duties.

The speaker has use of separate council owned vehicles for official duties.

The deputy mayor and speaker each has one full-time bodyguard.



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
45 DEPRECIATION AND AMORTISATION			
Property, Plant and Equipment		36 222 643	34 941 938
Investment Property		538	538
		36 223 181	34 942 476
46 IMPAIRMENT			
Impairments			
Other receivables from non-exchange revenue		70 855 412	31 227 715
Property, Plant and Equipment		-	4 672 973
Trade and other receivables		182 085 621	(22 836 936)
		252 941 034	13 063 752
Reversal of impairments			
Investment Property		-	(3 000)
Other receivables from non-exchange revenue		(32 268 578)	-
Property, Plant and Equipment		-	(3 712 042)
Trade and other receivables		(187 531 313)	-
		(219 799 891)	(3 715 042)
		33 141 143	9 348 710
Total impairment losses recognized / (reversed)			
47 FINANCE COSTS			
Finance leases		814 044	880 475
Non-current borrowings		10 288 165	12 518 652
Total		11 102 209	13 399 128
48 OPERATING LEASES			
Premises			
Premises - contractual amounts		213 943	82 898
Motor vehicles			
Motor vehicles - contractual amounts		271 910	-
Equipment			
Equipment - contractual amounts		608 031	567 570
Lease rentals on operating lease - other			
Lease rentals on operating lease - other - contractual amounts		3 229 344	3 065 315
		4 323 228	3 715 783

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
49 BAD DEBTS WRITTEN OFF			
Exchange transactions			
Electricity		2 818 937	335 458
Water distribution		39 340 345	39 332 806
Sewerage		23 514 333	41 201 805
Solid waste removal		13 642 153	(432 051)
Sundries		2 096 581	581 978
		81 412 349	81 019 996
Non-exchange transactions			
Property rates		475 187	326 865
Fines		8 831 800	1 185 650
Electricity		1 007 905	24 874
Solid waste removal		11 958	24 723 965
Sewerage		17 358	711 790
Water distribution		1 978 377	585 185
		12 322 584	27 558 328
Total		93 734 933	108 578 324
50 BULK PURCHASES			
Electricity - eskom		159 802 421	134 674 170
Water		535 538	634 399
		160 337 958	135 308 569
50.01 Electricity losses			
		MWh	MWh
Units purchased		107 019	104 248
Units sold		(86 815)	(82 013)
Total loss		20 204	22 235
Comprising of:			
		MWh	MWh
Technical + non-technical losses		14 300	16 981
Authorised consumption (metered)		4 801	4 158
Authorised consumption (unmetered)		1 103	1 097
Total		20 204	22 236
Percentage loss:			
		%	%
Technical + non-technical losses		13.36%	16.29%
Authorised consumption (metered)		4.49%	3.99%
Authorised consumption (unmetered)		1.03%	1.05%
Total		18.88%	21.33%

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
50.02 Water losses			
		ML	ML
Units purchased		4 137	3 971
Units sold		(2 577)	(2 550)
Total Loss		1 560	1 421
Comprising of:			
		ML	ML
Technical + non-technical losses		1 560	1 421
Total		1 560	1 421
Percentage loss:			
		%	%
Technical + non-technical losses		37.71%	35.78%
Total		37.71%	35.78%

51 CONTRACTED SERVICES

Outsourced services

Alien vegetation control	100 519	183 200
Burial services	64 003	104 950
Business and advisory	346 922	640 406
Clearing and grass cutting services	1 610 889	1 371 983
Connection/dis-connection	341 800	275 080
Drivers licence cards	256 229	181 588
Electrical	1 932 848	113 254
Fire services	-	346 031
Hygiene services	13 026	598
Illegal dumping	2 940 779	2 544 959
Litter picking and street cleaning	716 106	373 727
Meter management	408 293	1 006 883
Organic and building refuse removal	454 948	740 483
Personnel and labour	-	2 291 659
Printing services	319 669	340 712
Removal of structures and illegal signs	-	55 583
Security services	18 573 767	18 072 562
Traffic fines management	913 710	875 833
Transport services	14 650	278 514
Water takers	-	1 389 729
	29 008 156	31 187 735

Consultants and professional services

Business and advisory	7 257 935	9 539 191
Infrastructure and planning	3 602 361	1 201 379
Laboratory services	72 890	119 577
Legal cost	16 572 367	17 630 305
	27 505 553	28 490 452

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
Contractors			
Building		7 477 467	7 213 360
Catering services		951 858	1 363 917
Chipping		299 344	-
Electrical		3 620 080	261 745
Event promoters		-	552 065
Fire services		540 629	-
First aid		59 549	18 442
Haulage		581 606	-
Maintenance of buildings and facilities		6 189 598	6 541 760
Maintenance of equipment		5 427 667	3 889 523
Maintenance of unspecified assets		20 131 613	18 065 817
Pest control and fumigation		177 313	264 790
Removal of hazardous waste		270 900	19 600
Stage and sound crew		-	5 000
Stream cleaning and ditching		484 558	500 000
Transportation		-	249 999
		46 212 181	38 946 018
Total		102 725 891	98 624 205
52 GRANTS AND SUBSIDIES PAID			
Other subsidies			
Tourism		3 400 000	2 400 000
Grant in aid		877 545	3 170 673
Monetary allocations		249 647	-
		4 527 192	5 570 673
Total		4 527 192	5 570 673
53 INVENTORY CONSUMED			
Inventory consumed			
Standard rated		5 072 897	6 298 962
Materials and supplies		9 255 155	19 224 276
		14 328 052	25 523 238
Total		14 328 052	25 523 238

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
54 OPERATIONAL COST			
Advertising		556 022	365 347
Assessment rates & municipal charges		2 853 242	2 897 237
Assets expensed		87 629	133 621
Audit fees		4 808 607	4 267 280
Bank charges		1 781 007	1 318 057
Bursaries		394 498	527 406
Commission paid		1 973 268	2 777 759
Communication costs		1 649 491	1 841 685
Conferences and seminars		114 710	293 040
Contribution to provisions		(204 488)	-
Dumping fees (district council)		1 194 974	1 571 775
External computer service		5 768 750	5 088 586
Fuel and oil		8 877 741	6 911 833
Full time union representative		56 244	191 982
Hire		2 891 724	7 068 919
Insurance		3 213 501	3 049 716
Learnerships and internships		2 650 972	2 329 028
Licences		488 374	544 293
Motor vehicle expenses		305 281	502 811
Postage and courier		864 110	1 065 596
Printing and stationery		54 263	27 914
Promotions and sponsorships		9 000	19 306
Protective clothing and uniforms		2 445 077	1 812 620
Remuneration of committee members		352 500	365 500
Resettlement cost		52 658	-
Signage		645 173	100 776
Software expenses		3 446 917	3 361 559
Storage of files (archiving)		11 144	14 734
Subscriptions and membership fees		3 159 488	2 959 584
Title deed search fees		920	2 482
Transport provided as part of departmental activities		61 772	4 100
Travel - local		492 699	238 437
Total		51 057 269	51 652 981
55 LOSS ON THE DISPOSAL OF ASSETS			
Property, plant and equipment		1 687 302	1 455 668
Total		1 687 302	1 455 668
56 WATER LOSSES			
Water losses		6 851 853	4 273 990
Total		6 851 853	4 273 990
57 INVENTORIES LOSSES / WRITE-DOWNS			
Inventories losses/write-downs		125 496	-
Total		125 496	-

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
58 CASH (USED IN) GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	47 947 899	6 343 236
Adjustment for:-		
Depreciation and amortisation	36 223 181	34 942 476
(Gain) / loss on sale of assets and liabilities	1 687 302	1 455 668
Water losses	6 851 853	4 273 990
Inventories (losses)/write-downs/Inventories reversal to net realisable value	(6 815 396)	(4 289 443)
(Impairment loss) Reversal of impairment loss on exchange receivables	(5 445 692)	(22 836 936)
(Impairment loss) Reversal of impairment loss on non-exchange receivables	38 586 834	31 227 715
(Impairment loss) Reversal of impairment loss on fixed assets	-	957 930
Bad debts written off - exchange transactions	81 412 349	81 019 996
Bad debts written off - non-exchange transactions	12 322 584	27 558 328
Movement in unspent conditional grants and receipts	3 236 748	(11 855 371)
Movement in unspent public contributions	(498 469)	460 000
Movement in operating lease assets and accruals	(30 401)	61 864
Movement in employee benefits assets and liabilities	6 289 238	14 492 150
Movement in landfill site	(15 322 375)	15 322 375
Movement in provisions	(3 889 069)	(22 854 157)
Operating surplus before working capital changes:	202 556 585	156 279 822
(Increase)/decrease in inventories	(16 175)	(1 014 537)
(Increase)/decrease in receivables from exchange transactions	(78 440 547)	(49 431 173)
(Increase)/decrease in receivables from non-exchange transactions	(60 537 378)	(59 036 046)
(Decrease)/increase in consumer deposits	834 720	467 553
(Increase)/decrease in taxes	3 319 253	(2 768 024)
(Decrease)/increase in payables from exchange transactions	9 640 522	(6 718 166)
(Decrease)/increase in payables from non-exchange transactions	(633 701)	396 574
Changes in working capital:	(125 833 307)	(118 103 820)
Cash generated by/(utilised in) operations	76 723 278	38 176 001

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the audited annual financial statements

59 CORRECTION OF ERROR IN TERMS OF GRAP 3

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality.

- a) Debtor journals done in terms of prior periods, is done throughout the financial year, but consolidated per month in terms of AFS. Details of the processed journals is in the correction of errors folder. A correction was made and the result was as follows. Service charges Ct. R 199 333.82, receivables from exchange transactions Dt. R 101 849.44 and accumulated surplus Dt. R 97 484.38.
- b) Correction of Performance Bonus Provision to increase potential provision and reverse unused provision. A correction was made and the result was as follows. Employee related cost Ct. R 547 876.01 Accumulated Surplus Ct. R 1 864 416.33 and Employee Benefit Obligations Dt. R 2 412 292.34.
- c) Correction of Danger Allowances paid as indentified in COMAF 24. A correction was made and the result was as follows. Employee related cost Ct. R 2 636 066.10 Accumulated Surplus Dt. R 2 636 066.10 for the 2020-21 financial year
- d) A deposit was repaid in the 2021-22 financial year, which was recognized as forfeited revenue in the 2020-21 financial year. A correction was made and the result was as follows. Unclaimed monies Ct. R 1 607.41 and Fines, penalties and forfeits Dt. R 1 607.41.
- e) Correction of Leave Provision as indentified in COMAF 30. A correction was made and the result was as follows. Employee related cost Dt. R 2 295 906.52 Leave Provision Ct. R 2 295 906.52
- f) Correction of Petty Cash and Cashier Opening Balances. A correction was made and the result was as follows. Cash and Cash Equivalents Ct. R 4 374.41 Accumulated Surplus Dt. R 4 374.41
- g) Correction of Interest calculation on Cashflow and a misplaced Accrued Interest paid.
- h) Reclassification of Operational cost to employee related cost
- i) Correction of Fines reduced and withdrawn in terms of COMAF 20. A correction was made and the result is as follows. Receivables from non-exchange transactions Ct. R 104 090.00 and accumulated surplus Dt. R 104 090.00.
- j) Correction of Fines reduced and withdrawn. A correction was made and the result is as follows. Receivables from non-exchange transactions Ct. R 750 500.00, fines, penalties and forfeits Dt. R 719 200.00 and accumulated surplus Dt. R 31 300.00.
- k) Correction of Department of Water Affairs Invoice received that relates to prior period consumption. A correction was made and the result is as follows. Bulk Purchases Dt. R 240 360.36, trade payables from exchange transactions Ct. R 912 618.93 and Accumulated Surplus Dt. R 672 258.57.
- l) Reversal of 2020-21 Financial year fines reduced and withdrawn journals as originally done. A correction was made and the result is as follows. Receivables from non-exchange transactions Dt. R 1 080 340.00 and Fines, penalties and forfeits Ct. R 1 080 340.



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the audited annual financial statements

- m) First time recognition of municipal buildings and facilities. A correction was made and the result is as follows. Property, Plant and Equipment Dt. R 3 657 223.86, Accumulated Suplus Ct. R 3 872 094.44 and Depreciation and amortization Dt R 214 870.58.
- n) De-recognition of municipal buildings and facilities. A correction was made and the result is as follows. Property, Plant and Equipment Ct. R 868 025.67, Accumulated Suplus Dt. R 878 508.62 and Depreciation and amortization Ct R 10 482.95.
- o) Investment property was transferred to Property, Plant and Equipment. Vacant land held by the municipality amounting to R 573 457.00 could be used to develop housing or to expand the current infrastructure network to nearby housing development. Although a firm decision has not been taken by the municipality, the land is most likely to be used to fulfill its mandate. A correction was made and the result is as follows. Investment Property Ct. R 573 457.00 and Property, Plant and equipment Dt. R 573 457.00.
- Additional vacant properties were transferred to Property, Plant and Equipment due to it being owner occupied, and erroneously classified as Investment property. A correction was made and the result is as follows. Investment Property Ct. R 8 962 400.00 and Property, Plant and equipment Dt. R 8 962 400.00.
- p) Credit Leave Balance was found in the provision of the 2020-21 Leave provision when correcting COMAF 30 and due to that the Leave increases was reduced with R70 144.37 and Credit Leave Balances on the Debtors side (Receivables from Non-exchange transactions) was increased with R70 144.37.
- q) Reclassification of Availability Fees from Exchange to Non-Exchange.

	R	R	R	R	R
Note	As previously reported	Correction of prior period error	Changes in accounting policy	Reclassification	Restated
The correction of the error(s) results in adjustments as follows:					

59.01 Statement of financial position - non current assets

2021

Property, plant and equipment	m, n, o	1 142 373 939	12 325 055	-	-	1 154 698 995
Investment property	o	22 228 508	(9 535 857)	-	-	12 692 651
Total		1 164 602 447	2 789 198	-	-	1 167 391 646



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the audited annual financial statements

	R	R	R	R	R
Note	As previously reported	Correction of prior period error	Changes in accounting policy	Reclassification	Restated
2020					
Property, plant and equipment	1 100 595 264	12 529 443	-	-	1 113 124 707
Investment property	22 226 046	(9 535 857)	-	-	12 690 189
Total	1 122 821 310	2 993 586	-	-	1 125 814 896

59.02 Statement of financial position - current assets

2021					
Receivables from exchange transactions	32 616 272	101 849	-	(2 036 254)	30 681 867
Receivables from non-exchange transactions	23 597 355	(680 356)	-	2 036 254	24 953 253
Cash and cash equivalents	73 464 849	(4 374)	-	-	73 460 475
Total	129 678 476	(582 881)	-	-	129 095 595

2020					
Receivables from exchange transactions	41 559 244	(97 484)	-	(1 786 037)	39 675 722
Receivables from non-exchange transactions	23 050 996	(135 390)	-	1 786 037	24 701 643
Cash and cash equivalents	125 716 711	(4 374)	-	-	125 712 337
Total	190 326 951	(237 249)	-	-	190 089 702

59.03 Statement of financial position - current liabilities

2021					
Trade and other payables from exchange transactions	70 300 981	914 226	-	-	71 215 207
Current employee benefit obligation	35 210 192	(46 241)	-	-	35 163 951
Total	105 511 173	867 985	-	-	106 379 158

2020					
Trade and other payables from exchange transactions	77 501 475	3 308 325	-	-	80 809 800
Current employee benefit obligation	32 333 151	(1 864 416)	-	-	30 468 735
Total	109 834 627	1 443 908	-	-	111 278 535



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the audited annual financial statements

	R	R	R	R	R
Note	As previously reported	Correction of prior period error	Changes in accounting policy	Reclassification	Restated
59.04 Statement of financial position - net assets					
2021					
Accumulated surplus / (deficit)	912 303 833	1 338 333	-	-	913 642 165
Total	912 303 833	1 338 333	-	-	913 642 165
2020					
Accumulated surplus / (deficit)	909 248 088	1 312 429	-	-	910 560 517
Total	909 248 088	1 312 429	-	-	910 560 517
59.05 Statement of financial performance - revenue					
2021					
Service charges (Exchange)	374 426 744	199 334	-	(12 372 532)	362 253 546
Fines, penalties and forfeits	30 462 472	(616 717)	-	-	29 845 754
Availability charges (Non-Exchange)	-	-	-	12 372 532	12 372 532
Total	404 889 216	(417 384)	-	-	404 471 832
59.06 Statement of financial performance - expenditure					
2021					
Employee related costs	267 666 150	(888 036)	-	1 710 810	268 488 924
Operational Cost	53 363 791	-	-	(1 710 810)	51 652 981
Bulk purchases	135 068 208	240 360	-	-	135 308 569
Depreciation and amortisation	34 738 088	204 388	-	-	34 942 476
Total	490 836 238	(443 288)	-	-	490 392 950



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the audited annual financial statements

	R	R	R	R	R
Note	As previously reported	Correction of prior period error	Changes in accounting policy	Reclassification	Restated
59.07 Cash flow statement - cash flows from operating activities					
2021					
Taxes, Levies and Fines	156 190 710	1 137 486	-	1 843 382	159 171 577
Goods and Services provided	301 491 991	1 852 956	-	7 995 439	311 340 387
Interest Income	21 178 983	(2 990 442)	-	-	18 188 540
Suppliers for Goods and Services	(334 351 627)	60 447	-	(9 189 723)	(343 480 903)
Employees	(252 356 108)	-	-	(649 098)	(253 005 206)
Finance Cost	(13 399 128)	(60 447)	-	-	(13 459 575)
Total	(121 245 179)	-	-	0	(121 245 179)

59.08 Cash and cash equivalents at the end of the year

2021

Cash and cash equivalent at the beginning of the year	125 716 711	(4 374)	-	-	125 712 337
Total	125 716 711	(4 374)	-	-	125 712 337



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
60 UNAUTHORISED EXPENDITURE		
Opening balance as previously reported	340 635 976	305 342 276
Correction of prior period error	5 680 230	-
Opening balance as restated	346 316 206	305 342 276
Add: Operating Expenditure identified	806 588 195	40 973 930
Add: Capital Expenditure identified	78 216 782	-
Closing balance	1 231 121 183	346 316 206

Expenditure identified in the current year include those listed below:

Incident	Disciplinary steps taken/criminal proceedings		
Operating Expenditure identified -2021	None	-	40 973 930
Operating Expenditure identified -2022	None	806 588 195	-
Capital Expenditure identified -2022	None	78 216 782	-
		884 804 977	40 973 930

60.1 Operating Expenditure determination

Operating	Expenditure 2022 R'000	Budget 2022 R'000	Difference 2022 R'000	Unauthorized Expenditure 2022 R
Council And General	7 835		(7 835)	(7 835 495)
Office Of The Municipal Manager	23 300		(23 300)	(23 300 145)
Community Services	246 096		(246 096)	(246 095 581)
Corporate Services	67 025		(67 025)	(67 025 325)
Financial Services	38 896		(38 896)	(38 895 826)
Economic Development And Planning	23 677		(23 677)	(23 677 387)
Engineering Services	399 758		(399 758)	(399 758 436)
	806 588	-	(806 588)	(806 588 195)



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Operating	Note				2022	2021
	Expenditure	Budget	Difference	Unauthorized Expenditure	R	R
	2021 R'000	2021 R'000	2021 R'000	2021 R		
Council And General	11 340	12 329	989	-		
Office Of The Municipal Manager	27 595	26 713	(882)	(881 850)		
Community Services	238 440	228 324	(10 116)	(10 116 177)		
Corporate Services	66 891	68 482	1 591	-		
Financial Services	44 966	68 559	23 593	-		
Economic Development And Planning	24 265	25 538	1 273	-		
Engineering Services	353 634	323 658	(29 976)	(29 975 903)		
	767 133	753 603	(13 529)	(40 973 930)		

60.2 Capital Expenditure determination

Capital	Expenditure	Budget	Difference	Unauthorized Expenditure
	2022 R'000	2022 R'000	2022 R'000	2022 R
Community Services	8 978		(8 978)	(8 977 669)
Corporate Services	3 111		(3 111)	(3 111 368)
Financial Services	19		(19)	(19 402)
Engineering Services	66 108		(66 108)	(66 108 342)
	78 217	-	(78 217)	(78 216 782)

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Capital	Note				2022	2021
	Expenditure	Budget	Difference	Unauthorized Expenditure	R	R
	2021 R'000	2021 R'000	2021 R'000	2021 R		
Council And General	115	130	15	-		
Community Services	15 334	17 436	2 102	-		
Corporate Services	2 298	3 457	1 159	-		
Financial Services	45	51	6	-		
Economic Development And Planning	75	202	127	-		
Engineering Services	61 337	63 487	2 150	-		
	79 203	84 763	5 560	-		

61 FRUITLESS AND WASTEFUL EXPENDITURE

Opening balance as previously reported
 Add: Expenditure identified - Current
Closing balance

4 465 508	4 362 931
-	102 577
4 465 508	4 465 508

Expenditure identified in the current year include those listed below:

Incident	Disciplinary steps taken/criminal proceedings		
Interest charged on Powerhouse Strategies account	Under investigation	-	38 019
Work done by Knysna Nissan on municipal vehicle	Under investigation	-	64 558
		-	102 577



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
62 IRREGULAR EXPENDITURE		
Opening balance as previously reported	226 162 103	182 082 055
Correction of prior period error	2 661 284	-
Opening balance as restated	228 823 388	182 082 055
Add: Expenditure identified - Current	70 573 758	42 729 038
Add: Expenditure identified - Prior Period	-	1 351 010
Less: Amounts written off - Prior Period	(72 584 081)	-
Closing balance	226 813 065	226 162 103

All Irregular Expenditure is disclosed exclusive of VAT

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

Incident	Disciplinary steps taken/criminal proceedings		
SCM policy section 16- Processes for Written Price Quotations	To be reported to council	102 546	130 599
SCM policy section 17- Competitive bidding processes not followed	To be reported to council	485 036	52 820
Non-compliance with Section 13(b) and Section 43 of the MSCMR	To be reported to council	3 288 086	1 378 496
SCM policy section 13(c)(i): Supplier false declaration of interest	To be reported to council	413 641	-
SCM policy section 19- Competitive bidding processes not followed	To be reported to council	5 338 812	20 643 678
SCM policy section 38(1)(g): Cancel a contract awarded to a person	To be reported to council	19 633	432 634
SCM policy section 43: Prohibition on awards to person whose tax matters are not in order	To be reported to council	-	15 650
SCM policy Section 44: Prohibition on awards to persons in the service of state	To be reported to council	-	25 990
Non-compliance with Section 46(2) (e) and (f)	To be reported to council	286 487	331 424
SCM policy section 52(1)(iii)- Contract Implementation	As identified by AG during audit -to be reported to council	-	33 483
SCM policy section 29: Composition of the Bid Adjudication Committee	To be reported to council	26 257 549	5 708 520
Regulation 32	To be reported to council	-	46 841



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
Regulation 6(8)	As identified by AG during audit -to be reported to council	30 812	-
PPR 2017 section 4,5 & 9 - Non compliance	To be reported to council	-	367 666
SCM policy section 13 (1) (c) & 46(2)(e)	As identified by AG during audit -to be reported to council	35 749	-
SCM policy section 17(1)(c)	As identified by AG during audit -to be reported to council	232 458	-
SCM policy section 36 (1)(v)	As identified by AG during audit -to be reported to council	-	241 500
SCM policy section 13 (b) & 43	As identified by AG during audit -to be reported to council	-	1 934 454
PPR section 6(1) & 6(6)	As identified by AG during audit -to be reported to council	-	6 579 783
MFMA Sec 116(3)(a) & MSCMR 38(1)	As identified by AG during audit -to be reported to council	-	2 902 490
Regulation 12(3) & 19(a)	As identified by AG during audit -to be reported to council	-	30 000
Regulation 17(c)	As identified by AG during audit -to be reported to council	-	13 781
SCM policy section 29: Composition of the Bid Adjudication Committee	As identified by AG during audit -to be reported to council	-	1 859 229
MFMA Sec 116(3)(a) & MSCMR 38(1)	To be reported to council	28 187	-
Non-compliance with Section 6(1) and Section 6(6) of the PPR	To be reported to council	29 086 189	-
SCM policy section 52(1)(iii)- Contract Implementation	To be reported to council	4 968 576	-
		70 573 758	42 729 038

63 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

63.1 Contributions to organised local government

Council subscriptions	2 842 539	2 683 235
Amount paid - current	(2 842 539)	(2 683 235)

63.2 Audit fees

Current year audit fee	5 529 898	4 915 302
Amount paid - current year	(5 529 898)	(4 915 302)

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
63.3 VAT		
VAT payable (output)	212 583 821	165 551 234
VAT receivable (input)	(207 998 680)	(157 646 840)
	4 585 141	7 904 394
Amount paid in relation to VAT for current year	(6 499 218)	(3 745 792)
Amount received in relation to VAT for current year	6 454 096	1 687 960
Amount received in relation to VAT for prior year	3 145 885	1 652 242

All VAT returns have been submitted by the due date throughout the year.

63.4 PAYE, UIF and SDL

Current year payroll deductions	42 767 619	38 869 054
Amount paid - current year	(42 767 619)	(38 869 054)

63.5 Pension and medical aid deductions

Current year payroll deductions and council contributions	70 379 780	64 555 774
Amount paid - current year	(70 379 780)	(64 555 774)

63.6 Councillor's arrear consumer accounts

The following councillors had arrear accounts outstanding for more than 90 days: -

as at 30 June 2021

Councillor D. Swart

Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
1 850	-	1 850
1 850	-	1 850



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
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63.7 Supply chain management regulations

In terms of section 36 of the municipal supply chain management regulations any deviation from the supply chain management policy needs to be approved/condoned by the municipal manager and noted by council. The expenses incurred as listed hereunder have been condoned.

Category from SCM policy	Section		
In an emergency which is considered an unforeseeable and sudden event with materially harmful or potentially materially harmful consequences for the municipality which requires urgent action to address	36(1)(a)(i)	3 182 490	1 490 309
Where it can be demonstrated that goods or services are produced or available from a single provider only	36(1)(a)(ii)	596 806	35 076
Exceptional case and it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	2 602 858	2 424 560
		6 382 154	3 949 945



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note

2022
R

2021
R

63.8 Awards above R2000 to spouses, child, parent of a person in service of the state (Section 45 of the supply chain management policy).

Company	Relation	Name	Designation	Organ of state	Amount
Shelf Plett 40 T/A Isolomzi	Spouse	Yonn LB	SAPS officer	South African police service	17 805 487
Kemanzi (Pty) Ltd	Spouse	Du Toit JN	Traffic Service: Inspector	City of Cape town	1 640 344
Red Ants Security Group	Wife	Lesiela N	Organisation design and development practioner	Mogale City Metro Municipality	2 125 200
Tolo N' Miles	Spouse	Bans A	Educator	Department of education	25 000
	Spouse	Dliso N	Educator	Department of education	
Zutari (Pty) Ltd	Spouse	Ahlschlager HC	Legal representative	Special investigating unit	3 686 148
	Spouse	Nadasen K	Director: Key account management	Department of public works	
	Son	Mncube T	Specialist category manager: Supply chain	Airports company South Africa	
Kuaco group	Wife	Mbali NA	Environmental inspector	Garden route district municipality	4 339 090
Kibi Trading And Projects	Spouse	Mhlana T	Councillor	Bitou municipality	24 725
Velisas Building Projects	Director	Jacobs SJ	Not stated	National Department: Correctional Services	26 650
George Commercial Tyre Service	Director	Farndon S	Teacher	Western Cape: Department of Education	14 461
					29 687 105



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022	2021
	R	R

64 RELATED PARTIES

64.1 Related party transactions

The following purchases were made during the year where councillors or staff have interest.

2022

Company	Description	Related name	Relation to company	Relation to official	Name of official	Designation	Organ of state	Amount
Kuaco group	Construction	Mbali M	Director	Brother	Mbali M	Councillor	Bitou municipality	
		Mbali M	Director	Wife	Mbali NA	Environmental inspector	Garden route district municipality	
								4 339 090
								4 339 090

The following purchases were made during the year where councillors or staff have interest.

2021

Company	Description	Related name	Relation to company	Relation to official	Name of official	Designation	Organ of state	Amount
Kuaco group	Construction	Mbali M	Director	Brother	Mbali M	Councillor	Bitou municipality	
		Mbali M	Director	Wife	Mbali NA	Environmental inspector	Garden route district municipality	
								2 227 786
								2 227 786



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
64.2 Councillors - rates and services billed 01 July 2021 - 30 June 2022	Rates and services billed	Outstanding balance as at 30 June 2022
	R	R
Councillor J. Kam Kam	15 671	1 306
Councillor D. Swart	122 039	11 681
Councillor NT. Seti	10 471	1 306
Councillor AR. Olivier	17 431	1 306
Councillor X. Matyila	5 224	-
Councillor AS. Windvogel	5 255	-
Councillor MP. Busakwe	10 447	1 306
Councillor SE. Gcabayi	15 894	1 306
Councillor WJ. Nel	23 524	1 859
Councillor NS. Ndayi	10 543	1 306
Councillor PM . Lobese	11 634	5 630
Councillor VP . Van Rhyner	5 224	-
	253 356	27 005
64.3 Directors - rates and services billed 01 July 2021 - 30 June 2022	Rates and services billed	Outstanding balance as at 30 June 2022
	R	R
Adv. LMR Ngoqo	35 794	-
M Memani	2 010	503
Mr M Dyushu	6 655	3 584
Me MP Mpahlwa	14 774	234
MJ Fourie	13 652	-
Mr L Gericke	32 378	43 736
	105 263	48 057



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
	Rates and services billed	Outstanding balance as at 30 June 2021
64.4 Councillors - rates and services billed 01 July 2020 - 30 June 2021		
Councillor J. Kam Kam	15 023	-
Councillor D. Swart	88 924	1 850
Councillor AR. Olivier	15 301	-
Councillor X. Matyila	15 053	-
Councillor AS. Windvogel	15 173	-
Councillor SE. Gcabayi	15 702	-
Councillor WJ. Nel	20 181	-
Councillor NS. Ndayi	15 053	-
Councillor PM . Lobese	32 424	-
Councillor VP . Van Rhyner	17 157	-
	249 991	1 850
64.5 Directors - rates and services billed 01 July 2020 - 30 June 2021		
Adv. LMR Ngoqo	61 334	6 785
Mr D Friedman	29 998	-
	91 332	6 785

The remuneration of key management and councillors can be found on notes 43 & 44.



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
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65 FINANCIAL RISK MANAGEMENT

65.1 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipalities treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

The table below analyses the municipality's financial liabilities 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.

The landfill site was consistently reported as a liquidity risk for the past five years mainly because management holds the opinion that it is a risk encountered in the event of difficulty in meeting obligations associated with financial liabilities that are to be settled by delivering cash. The liability could not be financed by raising a loan and thus the municipality is depended on cash reserves as a resource to finance the future expenditure.

Although it is a legal obligation, it is also contractual obligations. The professional engineers who compiled the design and assisted with the tendering processes is already evident of the contractual obligations the municipality has because the landfill site is closed and is in the de-commissioning phase, which already started of which the cost and future cost would be allocated to the landfill provision.

At 30 June 2022

Long-term liabilities
 Financial lease obligation
 Trade and other payables
 Unspent conditional grant and receipts

	Within 1 year R	Between 1 and 5 years R	After 5 years R
	25 357 752	71 544 733	11 861 312
	5 222 731	1 272 881	-
	57 632 214	-	-
	6 095 196	-	-



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022			2021		
		R			R		
		Within 1 year	Between 1 and 5 years	After 5 years	Within 1 year	Between 1 and 5 years	After 5 years
At 30 June 2021							
Long-term liabilities		28 306 266	96 860 497	11 800 613			
Financial lease obligation		5 222 731	6 495 612	-			
Landfill site		15 322 375	-	-			
Trade and other payables		48 603 692	-	-			
Unspent conditional grant and receipts		3 432 545	-	-			

65.2 Credit risk

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

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

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors 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 debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, council endeavours to collect such accounts by 'levying of penalty charges', 'demand for payment', 'restriction of services' and, as a last resort, 'handed over for collection', whichever procedure is applicable in terms of council's credit control and debt collection policy.

All rates and services are payable within 30 from invoice date. Refer to note 11 for all balances outstanding longer than 30 days. These balances represent all debtors at

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022		2021	
	R		R	
Balance past due not impaired:				
Non-exchange receivables				
	2022	2022	2021	2021
	%	R	%	R
Rates	54.36%	11 879 839	78.05%	15 200 798
Electricity	0.00%	-	0.85%	181 730
Water	0.00%	-	2.86%	612 523
Waste water	0.00%	-	0.27%	57 216
Traffic fines	38.46%	8 405 559	11.33%	2 205 898
Sundries	7.18%	1 568 937	6.25%	1 216 508
		21 854 336		19 474 674
Exchange receivables				
	2022	2022	2021	2021
	%	R	%	R
Electricity	48.68%	831 527	52.81%	11 327 437
Water	0.00%	-	13.34%	2 861 549
Waste water	0.00%	-	15.43%	3 309 656
Refuse removal	0.00%	-	9.92%	2 126 661
Housing rentals	0.00%	-	0.18%	38 184
Sundries	51.32%	876 721	8.32%	1 784 799
		1 708 248		21 448 287

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 11 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022		2021	
	R		R	
The provision for bad debts could be allocated between the different classes of receivables as follow:				
Non-exchange receivables	2022	2022	2021	2021
	%	R	%	R
Rates	27.19%	32 013 485	36.85%	32 268 578
Electricity	2.04%	2 407 504	3.26%	2 858 037
Water	3.51%	4 137 515	4.55%	3 983 381
Waste water	0.68%	803 790	0.64%	560 578
Refuse removal	2.66%	3 130 832	2.72%	2 382 195
Traffic fines	63.91%	75 240 158	51.97%	45 510 962
		117 733 284		87 563 730
Exchange Receivables	2022	2022	2021	2021
	%	R	%	R
Electricity	4.87%	10 187 874	5.17%	10 645 763
Water	29.83%	62 472 434	33.63%	69 240 442
Waste water	40.14%	84 062 591	36.94%	76 049 357
Refuse removal	22.71%	47 558 460	20.95%	43 137 831
Housing rentals	0.42%	884 670	0.50%	1 021 534
Sundries	2.02%	4 232 436	2.81%	5 781 893
		209 398 465		205 876 819

The entity only enters into non-current investment transactions with major banks with high quality credit standing. An investment to the value of R 9 857 448 is held as security for a loan raised with DBSA. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are 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.

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



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note

2022
R

2021
R

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.

Financial assets maximum exposure to credit risk at year end is as follows:

	2022	2021
	R	R
Receivables from exchange transactions	35 343 763	30 681 867
Receivables from non-exchange transactions	34 581 213	24 953 253
Non - current investments	-	9 107 254
Current investments	9 857 448	-
Long-term receivables	1 093	2 090
Cash and cash equivalents	48 627 266	73 460 475
	128 410 784	138 204 939

65.3 Interest rate risk

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

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

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

	2022	2021
	R	R
Sensitivity analysis		
1% (2021. 1%) Increase in interest rates	(660 116)	(562 331)
1% (2021. 1%) Decrease in interest rates	660 116	562 331



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Note	2022 R	2021 R
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65.4 Foreign exchange risk

The municipality does not engage in foreign exchange transactions.

65.5 Price risk

The municipality is not exposed to price risk.



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
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66 FINANCIAL INSTRUMENTS DISCLOSURE

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

The fair value of financial instruments approximates the amortised costs as reflected below.

66.1 Financial assets (at amortised cost)

Long-term receivables	-	1 093
Current portion of long-term receivables	1 093	997
Unpaid conditional grants	15 590 971	16 165 067
Non - current investments	-	9 107 254
Current investments	9 857 448	-
Receivables from exchange transactions	35 343 763	30 681 867
Other receivables from non-exchange	11 822 210	12 039 608
Cash and cash equivalents	48 627 266	73 460 475
	121 242 751	141 456 361

66.2 Financial liabilities (at amortised cost)

Long-term borrowings	65 547 008	82 498 638
Current portion of long-term borrowings	16 979 655	18 045 519
Finance lease liabilities	1 250 915	6 674 592
Current portion finance lease liabilities	4 848 632	3 833 633
Unspent conditional grants	6 095 196	3 432 545
Trade and other payables from exchange transactions	80 855 729	71 215 207
	175 577 136	185 700 135

67 STATUTORY RECEIVABLES

In accordance with the principles of GRAP108, statutory receivables are classified as follows:

VAT receivable	4 585 141	7 904 394
Consumer debtors - rates (non-exchange)	20 327 989	16 285 935
Fines (non-exchange)	11 334 909	4 888 448
	36 248 039	29 078 777

68 COVID-19 RELIEF NOTE

Bitou Local Municipality incurred the following expenditure related to COVID-19 in the respective financial years. No relief was offered in terms of outstanding debt thus Revenue was not affected

Expenditure for PPE	417 291	941 926
Fogging / disinfecting offices	103 073	34 072
Danger pay	-	1 648 434
	520 363	2 624 432

69 IN-KIND DONATIONS AND ASSISTANCE

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



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
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70 PRIVATE PUBLIC PARTNERSHIPS

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

71 CAPITAL COMMITMENTS

71.1 Authorised capital expenditure

Already contracted for but not provided for

SCM/2020/45/ENG	-	27 910 171
SCM/2020/53/COMM	-	16 716 649
SCM/2020/68/ENG	-	6 058 335
SCM/2021/13/ENG	-	1 349 456
SCM/2021/35/ENG	-	824 025
SCM/2021/48/ENG	-	1 521 017
SCM/2020/30/ENG	-	2 499 701
	-	56 879 353

Total capital commitments

Already contracted for but not provided for	-	56 879 353
	-	56 879 353

Commitments as per class of PPE

Sanitation infrastructure	-	24 599 211
Roads infrastructure	-	17 568 474
Community Assets	-	4 571 877
Electrical infrastructure	-	2 499 701
Water infrastructure	-	7 640 090
	-	56 879 353

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Government grants and subsidies	-	50 821 019
Own funds	-	6 058 335
	-	56 879 353

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
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71.2 Operating leases - as lessee (expense)

At the statement of financial position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Minimum lease payments due

- within one year	1 213 334	3 095 030
- in second to fifth year inclusive	45 000	1 168 334
	1 258 334	4 263 364

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

Operating leases consists of agreements for building rentals.

The municipality does not engage in any sub-lease arrangements.

The municipality did not pay any contingent rent during the year

71.3 Operating leases - as lessor (income)

At the statement of financial position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Minimum lease payments due

- within one year	884 954	697 908
- in second to fifth year inclusive	1 448 500	1 101 134
-later than five years	31	31
	2 333 486	1 799 073

72 ACCOUNTING BY PRINCIPALS AND AGENTS

The municipality is a party to a principle-agent arrangement(s).

72.1 Municipality as agent

72.1.1 Details of the arrangement(s) is/are as follows:

The municipality undertakes to handle motor vehicle license issuing on behalf of the department of transport and province and collects a commission of 12% plus VAT.

72.1.2 Resources held on behalf of the principal(s), but recognised in the municipality's own financial

The resources regarding the licensing department, remain that of the department of transport and do not form part of the municipality's financial statements.

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
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72.1.3 Revenue recognised

The aggregate amount of revenue that the municipality recognised as compensation for the transactions carried out on behalf of the principal is R 2 422 885 (2021: R 2 345 435).

72.1.4 Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities incurred on behalf of the principal(s) that have been recognised by the municipality as Liabilities incurred, have a net effect of R-643 01. 301 that is still owed to the municipality and will be paid over by the department of transport in the new financial year.

72.1.5 Additional information

Revenue and expenses that relate to transactions with third parties undertaken in terms of the

72.1.5.1 principal-agent arrangement

Category(ies) of revenue received or to be received on behalf of the principal, are:

Categories

Licensing fees
Category of revenue 2
Category of revenue 3

Additional details

Income collected on behalf of DOT and provincial transport for motor vehicle registration

Amount of revenue received on behalf of the principal during the reporting period

Licensing fees	15 799 041	15 201 390
	15 799 041	15 201 390

72.1.5.2 Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of receivables/(payables)

Vehicle licensing

Opening balance	270 313	138 919
Revenue received on behalf of the principal	(15 799 041)	(15 201 390)
Amounts transferred to the principal	15 464 426	15 332 784
	(64 301)	270 313

All Categories

Opening balance	270 313	138 919
Revenue received on behalf of the principal	(15 799 041)	(15 201 390)
Amounts transferred to the principal	15 464 426	15 332 784
	(64 301)	270 313



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
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72.2 Municipality as principle

72.2.1 Details of the arrangement(s) is/are as follows:

The municipality appointed TMT and Utilities world as agents to collect revenue on its behalf. TMT receives a fixed amount per fine closed and Utilities world receives a percentage of Electricity sales

72.2.2 Resources (including assets and liabilities) of the entity under the custodianship of the agent

No resources are under the agents custodianship .

72.2.3 Fees Paid

Fee paid as compensation to the agent

TMT	1 257 197	1 710 574
Utilities World	1 281 053	1 147 929
	2 538 250	2 858 503

72.2.3.1 Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

No implication on the Municipality as a new service provider would be appointed

73 GOING CONCERN

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

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 1 048 096 087 and that the municipality's total assets exceed its liabilities by R 1 066 646 096.

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

The possible outflow of resources due to contingent liabilities is disclosed in note 77

74 LIVING AND NON-LIVING RESOURCES

The municipality has no living resources under it's control

The non-living resources that the municipality have right to use via license agreements are rivers and boreholes, however a value cannot be determined since it is rivers and boreholes that is not disturbed in it's natural state.



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Note	2022 R	2021 R
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75 BBBEE PERFORMANCE

Information on compliance with the B-BBEE act is included in the annual report under the section titled B-BBEE compliance performance information.

76 EVENTS AFTER THE REPORTING DATE

No events or circumstances arising after the reporting date have come to the attention of management that would require adjustments to or disclosure in the financial statements.

77 CONTINGENT LIABILITIES

	2022 R	2021 R
Teniqua Wildfire rehabilitation and awareness	286 400	286 400

The Plaintiff issued summons against Bitou Local Municipality regarding an awarded tender for the maintenance and repair of a specified road, in the regional court. The plaintiff is suing for R 286.4 thousand.

N Diaries vs Bitou municipality	-	300 000
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The Plaintiff lodged an application in the labour court challenging outcome of the recruitment process to a post he had applied for, the annual salary for the post is R 0.

Total	286 400	586 400
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78 CONTINGENT ASSETS

	2022 R	2021 R
CANCOM vs Bitou municipality and others	5 500 000	5 500 000

Bitou Local Municipality is taken to court for blocking renewal of licence disks for cars of hiring companies for not redirecting outstanding fines on vehicles to the individuals, bitou is owed by Cancom for unpaid fines to the amount of R 5.5 million.

Total	5 500 000	5 500 000
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79 EXPLANATIONS ON BUDGET COMPARISON STATEMENTS AND DIFFERENCES IN TERMS OF GRAP 24

The Annual Budget was not approved, thus the disclosures in terms of GRAP 24 is not applicable.



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

80 SEGMENTAL REPORTING

80.01 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES CLASSIFICATION) AT 30 JUNE 2022

REVENUE

Revenue from exchange transactions

	Council R	Office of the Municipal Manager R	Corporate Services R	Community Services R
Sale of goods	-	-	-	-
Service Charges (Exchange)	-	-	-	33 408 870
Rendering of services	-	-	-	1 635 733
Rental of facilities and equipment	-	838 272	-	416 284
Interest earned - cash and investments	-	-	-	-
Interest charged (trading)	-	50 718	-	2 462 772
Agency services	-	-	-	2 422 886
Licences and permits	-	-	-	1 091 085
Operational revenue	-	367 547	1	692 046
Inventories Reversal To Net Realisable Value	-	-	-	-
Total revenue from exchange transactions	-	1 256 536	1	42 129 678

Revenue from non-exchange transactions

Taxation revenue

Property rates	-	-	-	-
Availability charges (Non-Exchange)	-	-	-	4 014 880
Interest charged on non-exchange transactions	-	-	-	-



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

80 SEGMENTAL REPORTING

80.01 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES CLASSIFICATION) AT 30 JUNE 2022

Transfer revenue

Government grants & subsidies - monetary
Public Contributions and Donations
Fines, penalties and forfeits

Council R	Office of the Municipal Manager R	Corporate Services R	Community Services R
2 918 000	46 885 050	276 057	33 171 903
-	-	-	-
-	-	-	52 377 475

Total revenue from non-exchange transactions

2 918 000	46 885 050	276 057	89 564 258
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Total revenue

2 918 000	48 141 585	276 058	131 693 936
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EXPENDITURE

Employee Related Costs
Remuneration of councillors
Depreciation And Amortisation
Impairment
Finance costs
Operating leases
Bad debts written off
Bulk purchases
Contracted services
Transfers and subsidies
Inventory Consumed
Operational Cost

77 230	20 412 199	31 200 828	113 352 762
6 197 993	-	-	-
49 465	62 567	741 751	7 210 093
-	-	-	34 224 210
-	-	-	3 364 456
271 910	-	561 881	3 398 287
-	-	-	24 582 491
-	-	-	-
108 770	1 277 210	17 416 310	43 369 808
-	877 545	-	249 647
100 864	59 295	457 693	4 378 915
1 027 514	605 656	16 587 342	11 839 480



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

80 SEGMENTAL REPORTING

80.01 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES CLASSIFICATION) AT 30 JUNE 2022

	Council R	Office of the Municipal Manager R	Corporate Services R	Community Services R
Loss on disposal of assets and liabilities	1 749	5 673	59 521	125 431
Water losses	-	-	-	-
Inventories losses/write-downs	-	-	-	-
Default revenue	-	-	-	(1 978 161)
Total expenditure	7 835 495	23 300 145	67 025 325	244 117 420
Surplus / (deficit) for the year	(4 917 495)	24 841 440	(66 749 267)	(112 423 484)

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Economic Development and Planning R	Financial Services R	Engineering Services R	Total R
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80 SEGMENTAL REPORTING

80.01 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES CLASSIFICATION) AT 30 JUNE 2022

REVENUE

Revenue from exchange transactions

Sale of goods	-	182 276	-	182 276
Service Charges (Exchange)	-	-	363 738 813	397 147 683
Rendering of services	5 219 781	217 340	1 565 868	8 638 723
Rental of facilities and equipment	-	-	-	1 254 556
Interest earned - cash and investments	-	3 746 776	-	3 746 776
Interest charged (trading)	-	-	9 617 311	12 130 801
Agency services	-	-	-	2 422 886
Licences and permits	-	-	-	1 091 085
Operational revenue	3 000	546 863	472 642	2 082 099
Inventories Reversal To Net Realisable Value	-	6 940 892	-	6 940 892
Total revenue from exchange transactions	5 222 781	11 634 147	375 394 634	435 637 777

Revenue from non-exchange transactions

Taxation revenue

Property rates	-	157 193 635	-	157 193 635
Availability charges (Non-Exchange)	-	-	12 316 769	16 331 649
Interest charged on non-exchange transactions	-	2 646 549	-	2 646 549



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

80 SEGMENTAL REPORTING

80.01 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES CLASSIFICATION) AT 30 JUNE 2022

Transfer revenue

Government grants & subsidies - monetary
Public Contributions and Donations
Fines, penalties and forfeits

	Economic Development and Planning R	Financial Services R	Engineering Services R	Total R
Government grants & subsidies - monetary	13 972 948	12 453 500	78 120 095	187 797 553
Public Contributions and Donations	498 469	-	-	498 469
Fines, penalties and forfeits	-	1 607 837	445 150	54 430 462

Total revenue from non-exchange transactions

14 471 418	173 901 521	90 882 013	418 898 317
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Total revenue

19 694 199	185 535 669	466 276 647	854 536 094
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EXPENDITURE

Employee Related Costs
Remuneration of councillors
Depreciation And Amortisation
Impairment
Finance costs
Operating leases
Bad debts written off
Bulk purchases
Contracted services
Transfers and subsidies
Inventory Consumed
Operational Cost

Employee Related Costs	16 003 449	31 090 163	68 087 865	280 224 496
Remuneration of councillors	-	-	-	6 197 993
Depreciation And Amortisation	64 090	1 052 185	27 043 029	36 223 181
Impairment	-	(6 171 116)	5 088 048	33 141 143
Finance costs	-	-	7 737 753	11 102 209
Operating leases	-	-	91 150	4 323 228
Bad debts written off	-	475 187	68 677 256	93 734 933
Bulk purchases	-	-	160 337 958	160 337 958
Contracted services	763 453	2 070 860	37 719 480	102 725 891
Transfers and subsidies	3 400 000	-	-	4 527 192
Inventory Consumed	64 139	301 801	8 965 344	14 328 052
Operational Cost	3 382 159	9 928 716	7 686 403	51 057 269



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Economic Development and Planning R	Financial Services R	Engineering Services R	Total R
80 SEGMENTAL REPORTING				
80.01 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES CLASSIFICATION) AT 30 JUNE 2022				
Loss on disposal of assets and liabilities	97	22 535	1 472 296	1 687 302
Water losses	-	-	6 851 853	6 851 853
Inventories losses/write-downs	-	125 496	-	125 496
Default revenue	-	-	1 978 161	(0)
Total expenditure	23 677 387	38 895 826	401 736 597	806 588 195
Surplus / (deficit) for the year	(3 983 188)	146 639 843	64 540 050	47 947 899



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Council R	Office of the Municipal Manager R	Corporate Services R	Community Services R
SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES CLASSIFICATION) AT 30 JUNE 2021				
REVENUE				
Revenue from exchange transactions				
Sale of goods	-	-	-	394
Service Charges (Exchange)	-	-	-	42 604 945
Rendering of services	-	-	-	1 036 064
Rental of facilities and equipment	-	479 894	-	668 963
Interest earned - cash and investments	-	-	-	-
Interest charged (trading)	-	32 092	-	2 631 261
Agency services	-	-	-	2 345 436
Licences and permits	-	17 886	-	701 594
Operational revenue	7 900	893 331	19 001	507 638
Inventories Reversal To Net Realisable Value	-	-	-	-
Total revenue from exchange transactions	7 900	1 423 203	19 001	50 496 294
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	-	-	-	-
Availability charges (Non-Exchange)	-	-	-	3 838 033
Interest charged on non-exchange transactions	-	-	-	-



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Council R	Office of the Municipal Manager R	Corporate Services R	Community Services R
80.02 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES CLASSIFICATION) AT 30 JUNE 2021				
Transfer revenue				
Government grants & subsidies - monetary	2 804 000	43 663 059	756 325	34 328 130
Fines, penalties and forfeits	-	-	-	26 920 536
Total revenue from non-exchange transactions	2 804 000	43 663 059	756 325	65 086 699
Total revenue	2 811 900	45 086 262	775 326	115 582 993

EXPENDITURE

Employee Related Costs	-	21 281 225	29 326 746	109 101 956
Remuneration of councillors	6 249 856	-	-	-
Depreciation And Amortisation	37 845	69 443	1 085 454	7 147 201
Impairment	-	-	-	19 286 457
Finance costs	-	-	-	4 077 669
Operating leases	-	-	520 820	3 148 213
Bad debts written off	-	581 978	-	25 477 564
Bulk purchases	-	-	-	-
Contracted services	1 816 503	2 084 036	19 211 908	40 843 498
Transfers and subsidies	152 042	3 018 630	-	-
Inventory Consumed	979 304	25 428	855 854	16 138 135
Operational Cost	2 104 889	534 427	15 877 175	12 992 635



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Council	Office of the	Corporate Services	Community
	R	Municipal Manager	R	Services
		R		R
80.02 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES CLASSIFICATION) AT 30 JUNE 2021				
Loss on disposal of assets and liabilities	-	-	13 253	226 349
Water losses	-	-	-	-
Default revenue	-	-	-	(1 004 710)
Total expenditure	11 340 441	27 595 167	66 891 209	237 434 969
Surplus / (deficit) for the year	(8 528 541)	17 491 095	(66 115 883)	(121 851 975)



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Economic Development and Planning R	Financial Services R	Engineering Services R	Total R
80.02 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES CLASSIFICATION) AT 30 JUNE 2021				
REVENUE				
Revenue from exchange transactions				
Sale of goods	-	125 083	-	125 477
Service Charges (Exchange)	-	-	319 648 601	362 253 546
Rendering of services	3 596 798	171 458	771 886	5 576 205
Rental of facilities and equipment	-	-	-	1 148 857
Interest earned - cash and investments	-	6 600 810	-	6 600 810
Interest charged (trading)	-	-	10 057 165	12 720 518
Agency services	-	-	-	2 345 436
Licences and permits	-	-	-	719 480
Operational revenue	27 766	638 407	35 293	2 129 336
Inventories Reversal To Net Realisable Value	-	4 289 443	-	4 289 443
Total revenue from exchange transactions	3 624 564	11 825 201	330 512 945	397 909 107
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	-	149 321 185	-	149 321 185
Availability charges (Non-Exchange)	-	-	8 534 499	12 372 532
Interest charged on non-exchange transactions	-	1 857 654	-	1 857 654



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Economic Development and Planning R	Financial Services R	Engineering Services R	Total R
80.02 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES CLASSIFICATION) AT 30 JUNE 2021				
Transfer revenue				
Government grants & subsidies - monetary	5 653 279	29 025 873	65 938 862	182 169 528
Fines, penalties and forfeits	15 395	2 525 661	384 162	29 845 754
Total revenue from non-exchange transactions	5 668 674	182 730 374	74 857 523	375 566 654
Total revenue	9 293 238	194 555 574	405 370 468	773 475 761

EXPENDITURE

Employee Related Costs	15 413 138	29 750 461	63 615 398	268 488 924
Remuneration of councillors	-	-	-	6 249 856
Depreciation And Amortisation	78 353	461 118	26 063 062	34 942 476
Impairment	-	(598 680)	(9 339 068)	9 348 710
Finance costs	-	-	9 321 459	13 399 128
Operating leases	-	-	46 750	3 715 783
Bad debts written off	-	326 865	82 191 917	108 578 324
Bulk purchases	-	-	135 308 569	135 308 569
Contracted services	3 203 006	4 934 590	26 530 663	98 624 205
Transfers and subsidies	2 400 000	-	-	5 570 673
Inventory Consumed	75 632	240 551	7 208 335	25 523 238
Operational Cost	3 093 835	10 120 261	6 929 758	51 652 981



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Economic Development and Planning R	Financial Services R	Engineering Services R	Total R
80.02 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES CLASSIFICATION) AT 30 JUNE 2021				
Loss on disposal of assets and liabilities	1 525	(268 824)	1 483 365	1 455 668
Water losses	-	-	4 273 990	4 273 990
Default revenue	-	-	1 004 710	0
Total expenditure	24 265 490	44 966 342	354 638 908	767 132 525
Surplus / (deficit) for the year	(14 972 252)	149 589 232	50 731 560	6 343 236



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Community and Social Services R	Energy Sources R	Environmental Protection R	Executive and Council R
80.03 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2022				
REVENUE				
Revenue from exchange transactions				
Sale of goods	-	-	-	-
Service Charges (Exchange)	-	200 312 999	-	-
Rendering of services	55 388	-	-	-
Rental of facilities and equipment	37 034	-	-	838 272
Interest earned - cash and investments	-	-	-	-
Interest charged (trading)	-	908 271	-	50 718
Agency services	-	-	-	-
Licences and permits	-	-	-	-
Operational revenue	6 036	288 372	-	367 547
Inventories Reversal To Net Realisable Value	-	-	-	-
Total revenue from exchange transactions	98 458	201 509 642	-	1 256 536
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	-	-	-	-
Availability charges (Non-Exchange)	-	2 156 063	-	-
Interest charged on non-exchange transactions	-	-	-	-



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Community and Social Services R	Energy Sources R	Environmental Protection R	Executive and Council R
SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2022				
Transfer revenue				
Government grants & subsidies - monetary	11 850 461	27 679 787	-	49 803 050
Public Contributions and Donations	-	-	-	-
Fines, penalties and forfeits	7 943	156 125	-	-
Total revenue from non-exchange transactions	11 858 404	29 991 975	-	49 803 050
Total revenue	11 956 862	231 501 617	-	51 059 585

EXPENDITURE

Employee Related Costs	21 711 112	19 617 385	-	14 359 389
Remuneration of councillors	-	-	-	6 197 993
Depreciation And Amortisation	1 161 460	5 101 895	-	139 809
Impairment	-	(789 932)	-	-
Finance costs	459 577	2 560 575	-	-
Operating leases	398 606	91 150	-	271 910
Bad debts written off	-	3 826 842	-	-
Bulk purchases	-	159 802 421	-	-
Contracted services	4 111 931	8 721 328	-	1 144 065
Transfers and subsidies	249 647	-	-	877 545
Inventory Consumed	822 487	3 717 562	-	206 758
Operational Cost	656 456	2 632 451	-	2 505 130



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Community and Social Services R	Energy Sources R	Environmental Protection R	Executive and Council R
80.03 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2022				
Loss on disposal of assets and liabilities	32 255	61 757	-	6 895
Water losses	-	-	-	-
Inventories losses/write-downs	-	-	-	-
Default revenue	342 566	(5 593 123)	-	-
Total expenditure	29 946 097	199 750 311	-	25 709 494
Surplus / (deficit) for the year	(17 989 235)	31 751 306	-	25 350 092



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Finance and Administration R	Housing R	Internal Audit R	Other R
80.03 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2022				
REVENUE				
Revenue from exchange transactions				
Sale of goods	182 276	-	-	-
Service Charges (Exchange)	-	-	-	-
Rendering of services	1 137 953	-	-	87 380
Rental of facilities and equipment	(10 121)	175 400	-	213 971
Interest earned - cash and investments	3 746 776	-	-	-
Interest charged (trading)	-	-	-	-
Agency services	-	-	-	-
Licences and permits	-	-	-	-
Operational revenue	754 553	850	-	162 029
Inventories Reversal To Net Realisable Value	6 940 892	-	-	-
Total revenue from exchange transactions	12 752 329	176 250	-	463 381
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	157 193 635	-	-	-
Availability charges (Non-Exchange)	-	-	-	-
Interest charged on non-exchange transactions	2 646 549	-	-	-

BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Finance and Administration	Housing	Internal Audit	Other
	R	R	R	R
SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2022				
80.03				
Transfer revenue				
Government grants & subsidies - monetary	12 729 557	7 987 242	-	0
Public Contributions and Donations	-	-	-	-
Fines, penalties and forfeits	1 607 837	-	-	-
Total revenue from non-exchange transactions	174 177 578	7 987 242	-	0
Total revenue	186 929 907	8 163 492	-	463 381
EXPENDITURE				
Employee Related Costs	68 665 640	7 820 463	4 182 559	1 727 190
Remuneration of councillors	-	-	-	-
Depreciation And Amortisation	4 418 580	79 195	23 594	326 182
Impairment	(72 788 450)	-	-	29 729 196
Finance costs	808 100	299 775	-	-
Operating leases	3 347 619	-	-	-
Bad debts written off	475 187	2 096 581	-	-
Bulk purchases	-	-	-	-
Contracted services	24 084 675	8 118 278	141 110	139 516
Transfers and subsidies	-	-	-	-
Inventory Consumed	1 086 831	1 431 886	13 049	78 432
Operational Cost	26 677 787	318 913	47 502	596 817



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Finance and Administration	Housing	Internal Audit	Other
	R	R	R	R
80.03 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2022				
Loss on disposal of assets and liabilities	183 815	3 359	527	-
Water losses	-	-	-	-
Inventories losses/write-downs	125 496	-	-	-
Default revenue	2 298 064	153 622	-	23 213
Total expenditure	59 383 343	20 322 072	4 408 341	32 620 546
Surplus / (deficit) for the year	127 546 564	(12 158 580)	(4 408 341)	(32 157 165)



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Planning and Development R	Public Safety R	Road Transport R	Sport and Recreation R
SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2022				
80.03 REVENUE				
Revenue from exchange transactions				
Sale of goods	-	-	-	-
Service Charges (Exchange)	-	-	-	-
Rendering of services	6 782 149	572 353	-	-
Rental of facilities and equipment	-	-	-	-
Interest earned - cash and investments	-	-	-	-
Interest charged (trading)	-	-	-	-
Agency services	-	2 422 886	-	-
Licences and permits	-	918 005	-	173 080
Operational revenue	3 000	267 715	-	47 726
Inventories Reversal To Net Realisable Value	-	-	-	-
Total revenue from exchange transactions	6 785 149	4 180 958	-	220 807
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	-	-	-	-
Availability charges (Non-Exchange)	-	-	-	-
Interest charged on non-exchange transactions	-	-	-	-



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Planning and Development R	Public Safety R	Road Transport R	Sport and Recreation R
SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2022				
80.03				
Transfer revenue				
Government grants & subsidies - monetary	16 291 185	-	230 000	-
Public Contributions and Donations	498 469	-	-	-
Fines, penalties and forfeits	181 336	52 369 532	107 688	-
Total revenue from non-exchange transactions	16 970 991	52 369 532	337 688	-
Total revenue	23 756 141	56 550 490	337 688	220 807

EXPENDITURE

Employee Related Costs	27 635 370	41 086 787	7 987 503	17 041 083
Remuneration of councillors	-	-	-	-
Depreciation And Amortisation	94 988	1 120 908	7 901 896	1 722 428
Impairment	4 449 658	-	-	-
Finance costs	-	507 720	2 719 896	65 769
Operating leases	-	-	-	-
Bad debts written off	-	8 831 800	-	-
Bulk purchases	-	-	-	-
Contracted services	2 636 002	19 013 309	15 816 807	2 345 461
Transfers and subsidies	3 400 000	-	-	-
Inventory Consumed	98 255	638 087	709 586	533 217
Operational Cost	3 524 413	3 341 267	655 884	926 802



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Planning and Development R	Public Safety R	Road Transport R	Sport and Recreation R
80.03 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2022				
Loss on disposal of assets and liabilities	97	43 095	476	34 182
Water losses	-	-	-	-
Inventories losses/write-downs	-	-	-	-
Default revenue	-	169 729	(4 515 111)	(5 072 656)
Total expenditure	41 838 782	74 752 702	31 276 938	17 596 286
Surplus / (deficit) for the year	(18 082 642)	(18 202 211)	(30 939 250)	(17 375 479)



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Waste Management R	Waste Water Management R	Water Management R	Total R
SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2022				
80.03 REVENUE				
Revenue from exchange transactions				
Sale of goods	-	-	-	182 276
Service Charges (Exchange)	33 408 870	82 693 351	80 732 462	397 147 683
Rendering of services	-	-	3 500	8 638 723
Rental of facilities and equipment	-	-	-	1 254 556
Interest earned - cash and investments	-	-	-	3 746 776
Interest charged (trading)	2 462 772	4 482 561	4 226 478	12 130 801
Agency services	-	-	-	2 422 886
Licences and permits	-	-	-	1 091 085
Operational revenue	-	184 270	-	2 082 099
Inventories Reversal To Net Realisable Value	-	-	-	6 940 892
Total revenue from exchange transactions	35 871 643	87 360 183	84 962 441	435 637 777
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	-	-	-	157 193 635
Availability charges (Non-Exchange)	4 014 880	5 315 554	4 845 151	16 331 649
Interest charged on non-exchange transactions	-	-	-	2 646 549



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

80.03 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2022

	Waste Management R	Waste Water Management R	Water Management R	Total R
Transfer revenue				
Government grants & subsidies - monetary	13 084 200	8 722 799	39 419 272	187 797 553
Public Contributions and Donations	-	-	-	498 469
Fines, penalties and forfeits	-	-	-	54 430 462
Total revenue from non-exchange transactions	17 099 080	14 038 354	44 264 424	418 898 317
Total revenue	52 970 723	101 398 536	129 226 864	854 536 094

EXPENDITURE

Employee Related Costs	20 241 097	13 098 200	15 050 717	280 224 496
Remuneration of councillors	-	-	-	6 197 993
Depreciation And Amortisation	1 929 986	4 762 232	7 440 027	36 223 181
Impairment	4 495 014	73 796 853	(5 751 196)	33 141 143
Finance costs	1 586 902	850 686	1 243 209	11 102 209
Operating leases	213 943	-	-	4 323 228
Bad debts written off	13 654 110	23 531 691	41 318 723	93 734 933
Bulk purchases	-	-	535 538	160 337 958
Contracted services	6 078 754	2 900 287	7 474 367	102 725 891
Transfers and subsidies	-	-	-	4 527 192
Inventory Consumed	821 796	399 174	3 770 932	14 328 052
Operational Cost	5 525 851	2 536 230	1 111 766	51 057 269



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Waste Management	Waste Water	Water Management	Total
	R	Management	R	R
		R	R	
SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2022				
Loss on disposal of assets and liabilities	824	1 255 898	64 123	1 687 302
Water losses	-	-	6 851 853	6 851 853
Inventories losses/write-downs	-	-	-	125 496
Default revenue	107 301	4 699 969	7 386 426	(0)
Total expenditure	54 655 580	127 831 220	86 496 485	806 588 195
Surplus / (deficit) for the year	(1 684 857)	(26 432 683)	42 730 380	47 947 899



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Community and Social Services R	Energy Sources R	Environmental Protection R	Executive and Council R
80.04 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2021				
REVENUE				
Revenue from exchange transactions				
Sale of goods	-	-	-	-
Service Charges (Exchange)	-	167 289 977	-	-
Rendering of services	54 522	-	-	-
Rental of facilities and equipment	17 689	-	-	479 894
Interest earned - cash and investments	-	-	-	-
Interest charged (trading)	-	823 503	-	32 092
Agency services	-	-	-	-
Licences and permits	-	-	-	17 886
Operational revenue	1 332	10 421	-	901 231
Inventories Reversal To Net Realisable Value	-	-	-	-
Total revenue from exchange transactions	73 543	168 123 902	-	1 431 103
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	-	-	-	-
Availability charges (Non-Exchange)	-	2 049 593	-	-
Interest charged on non-exchange transactions	-	-	-	-



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Community and Social Services R	Energy Sources R	Environmental Protection R	Executive and Council R
SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2021				
Transfer revenue				
Government grants & subsidies - monetary	11 018 000	22 005 847	-	46 467 059
Fines, penalties and forfeits	2 613	113 370	-	-
Total revenue from non-exchange transactions	11 020 613	24 168 810	-	46 467 059
Revenue from exchange transactions	73 543	168 123 902	-	1 431 103
Revenue from non-exchange transactions	11 020 613	24 168 810	-	46 467 059
Total revenue	11 094 156	192 292 712	-	47 898 162

EXPENDITURE

Employee Related Costs	19 806 663	19 387 427	-	18 350 045
Remuneration of councillors	-	-	-	6 249 856
Depreciation And Amortisation	1 360 550	4 869 095	-	124 137
Impairment	-	2 646 222	-	-
Finance costs	547 763	3 080 711	-	-
Operating leases	380 432	46 750	-	-
Bad debts written off	-	360 332	-	581 978
Bulk purchases	-	134 674 170	-	-
Contracted services	3 484 830	2 948 954	-	4 690 835
Transfers and subsidies	-	-	-	3 170 673
Inventory Consumed	587 348	2 957 894	-	1 028 900
Operational Cost	585 121	2 289 631	-	3 689 828



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Community and Social Services R	Energy Sources R	Environmental Protection R	Executive and Council R
SEGMENTAL OF STATEMENT OF FINANCIAL 80.04 PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2021				
Loss on disposal of assets and liabilities	-	773 463	-	-
Water losses	-	-	-	-
Default revenue	287 694	(4 944 445)	-	-
Total expenditure	27 040 401	169 090 204	-	37 886 252
Surplus / (deficit) for the year	(15 946 245)	23 202 508	-	10 011 910



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Finance and Administration R	Housing R	Internal Audit R	Other R
80.04 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2021				
REVENUE				
Revenue from exchange transactions				
Sale of goods	125 083	-	-	394
Service Charges (Exchange)	-	-	-	-
Rendering of services	798 076	-	-	78 521
Rental of facilities and equipment	(3 802)	183 400	-	471 675
Interest earned - cash and investments	6 600 810	-	-	-
Interest charged (trading)	-	-	-	-
Agency services	-	-	-	-
Licences and permits	-	-	-	-
Operational revenue	876 224	117 155	-	135 332
Inventories Reversal To Net Realisable Value	4 289 443	-	-	-
Total revenue from exchange transactions	12 685 834	300 555	-	685 922
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	149 321 185	-	-	-
Availability charges (Non-Exchange)	-	-	-	-
Interest charged on non-exchange transactions	1 857 654	-	-	-



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Finance and Administration	Housing	Internal Audit	Other
	R	R	R	R
SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2021				
Transfer revenue				
Government grants & subsidies - monetary	29 782 198	10 386 017	-	-
Fines, penalties and forfeits	2 525 661	2 016 677	-	-
Total revenue from non-exchange transactions	183 486 699	12 402 695	-	-
Revenue from exchange transactions	12 685 834	300 555	-	685 922
Revenue from non-exchange transactions	183 486 699	12 402 695	-	-
Total revenue	196 172 533	12 703 250	-	685 922

EXPENDITURE

Employee Related Costs	59 877 511	6 999 399	3 532 340	1 604 562
Remuneration of councillors	-	-	-	-
Depreciation And Amortisation	2 574 644	93 585	25 669	333 493
Impairment	359 251	-	-	23 318 403
Finance costs	1 077 173	353 772	-	-
Operating leases	3 205 703	-	-	-
Bad debts written off	326 865	-	-	-
Bulk purchases	-	-	-	-
Contracted services	24 606 715	14 063 172	104 938	158 850
Transfers and subsidies	-	-	-	-
Inventory Consumed	1 422 962	12 918 634	9 256	58 277
Operational Cost	25 482 948	435 053	56 371	510 615



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Finance and Administration	Housing	Internal Audit	Other
	R	R	R	R
SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2021				
Loss on disposal of assets and liabilities	(255 571)	-	-	-
Water losses	-	-	-	-
Default revenue	2 029 103	272 606	-	20 954
Total expenditure	120 707 303	35 136 222	3 728 573	26 005 154
Surplus / (deficit) for the year	75 465 230	(22 432 972)	(3 728 573)	(25 319 232)



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Planning and Development R	Public Safety R	Road Transport R	Sport and Recreation R
SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2021				
REVENUE				
Revenue from exchange transactions				
Sale of goods	-	-	-	-
Service Charges (Exchange)	-	-	-	-
Rendering of services	4 368 684	276 402	-	-
Rental of facilities and equipment	-	-	-	-
Interest earned - cash and investments	-	-	-	-
Interest charged (trading)	-	-	-	-
Agency services	-	2 345 436	-	-
Licences and permits	-	645 691	-	55 903
Operational revenue	27 766	7 332	-	25 333
Inventories Reversal To Net Realisable Value	-	-	-	-
Total revenue from exchange transactions	4 396 449	3 274 860	-	81 236
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	-	-	-	-
Availability charges (Non-Exchange)	-	-	-	-
Interest charged on non-exchange transactions	-	-	-	-



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Planning and Development R	Public Safety R	Road Transport R	Sport and Recreation R
SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2021				
Transfer revenue				
Government grants & subsidies - monetary	5 658 352	734 000	870 000	-
Fines, penalties and forfeits	286 187	24 901 246	-	-
Total revenue from non-exchange transactions	5 944 538	25 635 246	870 000	-
Revenue from exchange transactions	4 396 449	3 274 860	-	81 236
Revenue from non-exchange transactions	5 944 538	25 635 246	870 000	-
Total revenue	10 340 988	28 910 106	870 000	81 236

EXPENDITURE

Employee Related Costs	25 818 606	39 462 585	7 474 684	17 155 487
Remuneration of councillors	-	-	-	-
Depreciation And Amortisation	113 916	1 150 839	8 990 879	1 703 679
Impairment	1 380 297	-	-	-
Finance costs	-	588 585	3 106 995	81 554
Operating leases	-	82 898	-	-
Bad debts written off	-	-	-	-
Bulk purchases	-	-	-	-
Contracted services	4 061 817	11 866 301	14 861 305	2 904 564
Transfers and subsidies	2 400 000	-	-	-
Inventory Consumed	120 606	786 749	119 288	578 967
Operational Cost	3 551 256	2 198 883	1 156 470	720 150



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Planning and Development	Public Safety	Road Transport	Sport and Recreation
	R	R	R	R
80.04 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2021				
Loss on disposal of assets and liabilities	1 525	1 663	-	224 686
Water losses	-	-	-	-
Default revenue	-	145 852	(2 731 928)	(3 678 067)
Total expenditure	37 448 023	56 284 355	32 977 693	19 691 020
Surplus / (deficit) for the year	(27 107 036)	(27 374 248)	(32 107 693)	(19 609 784)



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Waste Management R	Waste Water Management R	Water Management R	Total R
SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2021				
REVENUE				
Revenue from exchange transactions				
Sale of goods	-	-	-	125 477
Service Charges (Exchange)	42 604 945	77 081 009	75 277 615	362 253 546
Rendering of services	-	-	-	5 576 205
Rental of facilities and equipment	-	-	-	1 148 857
Interest earned - cash and investments	-	-	-	6 600 810
Interest charged (trading)	2 631 261	4 724 557	4 509 105	12 720 518
Agency services	-	-	-	2 345 436
Licences and permits	-	-	-	719 480
Operational revenue	2 339	24 872	-	2 129 336
Inventories Reversal To Net Realisable Value	-	-	-	4 289 443
Total revenue from exchange transactions	45 238 545	81 830 438	79 786 720	397 909 107
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	-	-	-	149 321 185
Availability charges (Non-Exchange)	3 838 033	1 649 380	4 835 526	12 372 532
Interest charged on non-exchange transactions	-	-	-	1 857 654



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

80.04 SEGMENTAL OF STATEMENT OF FINANCIAL PERFORMANCE (FUNCTION CLASSIFICATION) AT 30 JUNE 2021

	Waste Management R	Waste Water Management R	Water Management R	Total R
Transfer revenue				
Government grants & subsidies - monetary	12 185 040	8 123 359	34 939 656	182 169 528
Fines, penalties and forfeits	-	-	-	29 845 754
Total revenue from non-exchange transactions	16 023 073	9 772 739	39 775 182	375 566 654
Revenue from exchange transactions	45 238 545	81 830 438	79 786 720	397 909 107
Revenue from non-exchange transactions	16 023 073	9 772 739	39 775 182	375 566 654
Total revenue	61 261 617	91 603 177	119 561 902	773 475 761
EXPENDITURE				
Employee Related Costs	21 983 469	10 814 397	16 221 749	268 488 924
Remuneration of councillors	-	-	-	6 249 856
Depreciation And Amortisation	1 780 787	4 685 530	7 135 671	34 942 476
Impairment	(4 989 876)	(8 222 947)	(5 142 639)	9 348 710
Finance costs	1 827 686	1 074 090	1 660 798	13 399 128
Operating leases	-	-	-	3 715 783
Bad debts written off	25 477 564	41 913 595	39 917 991	108 578 324
Bulk purchases	-	-	634 399	135 308 569
Contracted services	6 929 794	2 341 808	5 600 322	98 624 205
Transfers and subsidies	-	-	-	5 570 673
Inventory Consumed	1 135 337	844 028	2 954 991	25 523 238
Operational Cost	8 043 553	1 205 685	1 727 417	51 652 981



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

	Waste Management	Waste Water	Water Management	Total
	R	Management	R	R
		R	R	R
SEGMENTAL OF STATEMENT OF FINANCIAL				
80.04	PERFORMANCE (FUNCTION CLASSIFICATION) AT 30			
	JUNE 2021			
Loss on disposal of assets and liabilities	-	138 387	571 515	1 455 668
Water losses	-	-	4 273 990	4 273 990
Default revenue	(82 851)	3 657 172	5 023 911	-
Total expenditure	62 105 464	58 451 745	80 580 114	767 132 525
Surplus / (deficit) for the year	(843 847)	33 151 431	38 981 788	6 343 236



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

APPENDIX A

DISCLOSURES OF GRANTS, SUBSIDIES AND PUBLIC CONTRIBUTIONS IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 AS AT 30 JUNE 2022

Grant description	Restated opening balance R	Contributions during the year R	Repaid to national revenue fund R	Operating expenditure during the year transferred to revenue R	Capital expenditure during the year transferred to revenue R	Closing balance R	Unspent grants R (Creditor)	Unpaid grants R (Debtor)
<u>Monetary allocations - other</u>								
Monetary allocations (operational) - other	-	-	-	-	-	-	-	-
Monetary Allocations - Other - Departmental Agencies And Accounts:National Departmental Agencies:Local Government, Water And Related Service SETA	351 844	420 756	-	(276 057)	-	496 544	496 544	-
Total monetary allocations - other	351 844	420 756	-	(276 057)	-	496 544	496 544	-
<u>Monetary Allocations:National Government</u>								
Integrated National Electrification Programme	56 293	4 250 000	(56 043)	-	(4 234 836)	15 414	15 414	-
Municipal Infrastructure	454 503	30 104 000	(454 503)	-	(28 515 772)	1 588 228	1 588 228	-
Energy Efficiency And Demand Side Management	-	4 159 000	-	(4 159 000)	-	-	-	-
Expanded Public Works Programme Integrated	454	996 000	(454)	(996 000)	-	-	-	-
Local Government Financial Management	-	1 550 000	-	(1 550 000)	-	-	-	-
National Government:Equitable Share	-	111 442 000	-	(111 442 000)	-	-	-	-
Total Monetary Allocations:National Government	511 250	152 501 000	(511 000)	(118 147 000)	(32 750 608)	1 603 642	1 603 642	-



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

APPENDIX A

DISCLOSURES OF GRANTS, SUBSIDIES AND PUBLIC CONTRIBUTIONS IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 AS AT 30 JUNE 2022

Grant description	Restated opening balance R	Contributions during the year R	Repaid to national revenue fund R	Operating expenditure during the year transferred to revenue R	Capital expenditure during the year transferred to revenue R	Closing balance R	Unspent grants R	Unpaid grants R
<u>Monetary Allocations:Provincial Government</u>								
Informal Settlement Upgrading Partnership:								
Provinces (Beneficiaries)	-	7 954 369	-	(5 117 373)	-	2 836 996	2 836 996	-
Local Government Public Employment Support	-	1 200 000	-	(1 072 229)	-	127 771	127 771	-
Library Services Replacement Funding for most vulnerable B3 Municipalities	306 460	9 884 000	(306 460)	(9 884 000)	-	-	-	-
Local Government Graduate Internship	266 175	-	(266 175)	(0)	-	0	0	-
Financial Management Capacity Building	75 142	250 000	(75 142)	(250 000)	-	-	-	-
Community Development Workers (CDW)	51 894	19 000	(51 894)	(3 384)	-	15 616	15 616	-
Community Library Services	-	1 329 000	-	(1 329 000)	-	-	-	-
Human Settlement Development	(16 165 067)	15 570 510	-	(1 173 466)	(13 822 948)	(15 590 971)	-	(15 590 971)
Proclaimed Roads Maintenance	-	230 000	-	(230 000)	-	-	-	-
Disaster Management: Emergency Housing	0	-	-	(0)	-	-	-	-
Regional Social Economic Projects (RSEP)	1 869 771	500 000	(55 664)	-	(1 419 479)	894 628	894 628	-
Thusong Services Centres	-	150 000	-	(150 000)	-	-	-	-
Municipal Disaster	7	-	-	(7)	-	-	-	-
Western Cape Municipal Energy Resilience (WC MER)	-	750 000	-	(750 000)	-	-	-	-
Municipal Library Support	-	911 000	-	(634 076)	(276 924)	(0)	-	(0)
Total Monetary Allocations:Provincial Government	(13 595 617)	38 747 879	(755 335)	(20 593 537)	(15 519 351)	(11 715 961)	3 875 010	(15 590 971)



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

APPENDIX A

DISCLOSURES OF GRANTS, SUBSIDIES AND PUBLIC CONTRIBUTIONS IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 AS AT 30 JUNE 2022

Grant description	Restated opening balance R	Contributions during the year R	Repaid to national revenue fund R	Operating expenditure during the year transferred to revenue R	Capital expenditure during the year transferred to revenue R	Closing balance R	Unspent grants R	Unpaid grants R
<u>Monetary allocations: District municipalities</u>								
Safety Plans	-	120 000	-	-	-	120 000	120 000	-
Total monetary allocations: District municipalities	-	120 000	-	-	-	120 000	120 000	-
Total grants	(12 732 523)	191 789 636	(1 266 335)	(139 016 593)	(48 269 960)	(9 495 775)	6 095 196	(15 590 971)
<u>Public contributions and donations</u>								
Nedbank	498 469	-	-	(498 469)	-	-	-	-
Total public contributions and donations	498 469	-	-	(498 469)	-	-	-	-
Grand total	(12 234 053)	191 789 636	(1 266 335)	(139 515 063)	(48 269 960)	(9 495 775)	6 095 196	(15 590 971)

The unspent grants are cash-backed. The municipality complied with the conditions attached to all grants received. No grants were withheld.



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

APPENDIX B

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2022

Description & account / vehicle reference	Opening balance R	Correction of error R	Restated opening balance R	Received during the period R	Repayment / written off during the period R	Closing balance R
Annuity loans						
Banks: ABSA						
ABSA - 2015/2016	12 545 192	-	12 545 192	-	(2 019 697)	10 525 495
ABSA - 2016/2017	17 822 873	-	17 822 873	-	(2 293 088)	15 529 786
Banks: Nedbank						
Nedbank - 7831 033912 / 000 001	5 434 523	-	5 434 523	-	(1 129 414)	4 305 108
Nedbank - 2017/2018	24 670 938	-	24 670 938	-	(2 536 546)	22 134 392
Banks: Standard Bank						
Standard Bank - 282024913(old acc number)/ 000537504(new acc number)	9 206 096	-	9 206 096	-	(1 932 807)	7 273 289
Standard Bank - 282044426	(0)	-	(0)	-	-	(0)
Standard Bank - 282029087(old acc number)/ 000536658(new acc number)	1 177 863	-	1 177 863	-	(1 177 863)	(0)
Standard Bank - 251981282(old acc number)/ 000536894(new acc number)	1 142 997	-	1 142 997	-	(1 142 997)	0
Standard Bank - 282022589(old acc number)/ 000537648(new acc number)	3 583 814	-	3 583 814	-	(1 695 327)	1 888 488
Standard Bank - 082602247(old acc number)/ 000536665(new acc number)	5 088 442	-	5 088 442	-	(1 511 091)	3 577 351
Standard Bank - 082602573	0	-	0	-	-	0



BITOU LOCAL MUNICIPALITY

Audited financial statements for the year ended 30 June 2022

APPENDIX B

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2022

Description & account / vehicle reference	Opening balance R	Correction of error R	Restated opening balance R	Received during the period R	Repayment / written off during the period R	Closing balance R
Banks: Development Bank of South Africa						
DBSA - 11200/102	0	-	0	-	-	0
DBSA - 100225/1	1 236 000	-	1 236 000	-	(824 000)	412 000
DBSA - 103437/1	17 663 655	-	17 663 655	-	(1 465 340)	16 198 315
DBSA - 103437/2	971 764	-	971 764	-	(289 326)	682 438
Total annuity loans	100 544 158	-	100 544 158	-	(18 017 495)	82 526 663
Finance leases						
Standard Bank						
Finance lease - SCM/2020/20/ENG	-	10 508 225	10 508 225	-	(4 408 678)	6 099 547
Other						
Finance lease obligation 1	10 508 225	(10 508 225)	-	-	-	-
Total finance leases	10 508 225	-	10 508 225	-	(4 408 678)	6 099 547
Grand total	111 052 383	-	111 052 383	-	(22 426 173)	88 626 210