

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023



Amajuba District Municipality
Annual Financial Statements
for the year ended 30 June 2023

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Nature of business and principal activities

The provision of services (water and sanitation) to communities in a sustainable manner; to promote social and economic development and to provide a safe and healthy environment.

Mayoral committee

Mayor (Inaugurated on 08 December 2022)

Cllr NA Zulu

Mayor (Resigned on 28 November 2022)

Cllr VV Bam

Deputy Mayor (Inaugurated on 21 February 2023)

Cllr TE Mithembu

Deputy Mayor (Resigned on 28 February 2023)

Cllr S Sizani

Speaker

Cllr SO Zulu

Chief Whip

Cllr AT Nkosi

MPAC chairperson

Cllr JS Thusi

Exco Member

Cllr P Mgcina

Exco Member

Cllr S Sizani

Exco Member

Cllr JP Phakathi

Councillors

Cllr S Singh

Cllr LN Zulu

Cllr !S Sithole

Cllr SN Ndlovu

Cllr BG Madi

Cllr CS Kubheka

Cllr GMB Thwala

Cllr IS Sithole

Cllr MG Nkosi

Cllr M Mbatha

Cllr ME Hlatshwayo

Cllr MJ Dladla

Cllr MN Zulu

Cllr PSS Khumalo

Cllr RS Langa

Cllr SE Myaka

Cllr SEC Kunene

Cllr SK Thwala

Cllr T Dlamini

Cllr ZG Mabaso

Cllr EJC Cronje

Cllr MTD Makhoba

Cllr NP Shabalala

Cllr SM Khoza

Cllr ZC Msibi

Cllr SB Buthelezi

Cllr VF Hadebe

Grading of local municipality

Grade 2

Accounting Officers

Mr PM Manqele

Chief Finance Officer (contract ended February 2023)

Mr MS Sithole

Acting Chief Finance Officer

Ms Z Maduna

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Registered office

B9356 Section 1
Madadeni
Newcastle
2951

Business address

B9356 Section 1
Madadeni
Newcastle
2951

Bankers

Standard Bank SA

Auditors

Auditor General South Africa
Registered Auditors

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2023

Index

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

	Page
Accounting officer's Responsibilities and Approval	5
Accounting officer's Report	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11 - 13
Accounting Policies	14 - 29
Notes to the Annual Financial Statements	30 - 74

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

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting officer's Responsibilities and Approval

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

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

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

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

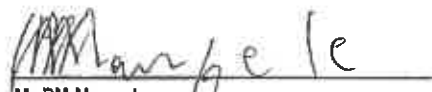
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal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

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

I certify that the salaries, allowances and benefits of Councillors and payments made to Councillors for loss of office, if any, as disclosed in 26 of these annual financial statements are within the upper limits of the framework envisaged in Section 20(9) of the Constitution, read with the Remuneration of Public Bearers Act, 1998 (Act No 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

As required by Section 45 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) and Section 121(4)(a) and (b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and Gazette number 43582 the Annual Financial Statements were submitted to the Auditor-General South Africa (AGSA) on 31st August 2023.


Mr PM Mankela
Accounting Officer

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting officer's Report

The accounting officer submits his report for the year ended 30 June 2023.

1. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of 676 892 457 and that the municipality's total assets exceed its liabilities by 676 892 457.

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

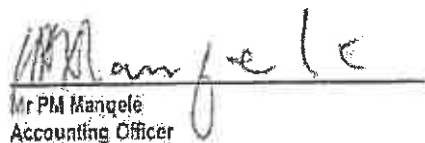
2. Subsequent events

We are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in the report or annual financial statements that would affect the operations of the municipality significantly.

3. Auditors

Auditor General South Africa will continue in office for the next financial period.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on November 28, 2023 and were signed on its behalf by:


Mr PM Manqele
Accounting Officer

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

		2023	2022
	Note(s)		Restated*
Assets			
Current Assets			
Inventories	7	1 811 747	1 699 729
Receivables from exchange transactions	8&11	10 827 640	6 902 670
Receivables from non-exchange transactions	9&11	15 598	14 852
VAT receivable	10	11 578 598	8 709 472
Prepayments		2 364 592	330 073
Cash and cash equivalents	12	76 944 192	71 223 202
		103 542 367	88 879 998
Non-Current Assets			
Property, plant and equipment	3	615 631 694	537 379 918
Intangible assets	4	3 010 713	2 832 595
Investments in associates	5	118 583 471	150 869 298
		737 225 878	691 081 811
Total Assets		840 768 245	779 961 809
Liabilities			
Current Liabilities			
Other financial liabilities	15	1 484 502	1 244 537
Payables from exchange transactions	17	124 557 804	69 835 447
Employee benefit obligation	6	46 947	43 942
Unspent conditional grants and receipts	14	18 957 238	27 686 126
Provisions	16	10 726 184	19 054 987
		155 772 675	117 865 039
Non-Current Liabilities			
Other financial liabilities	15	1 359 078	2 843 580
Finance lease obligation	13	387 543	136 753
Employee benefit obligation	6	377 017	389 155
Provisions	16	5 979 475	6 218 700
		8 103 113	9 588 188
Total Liabilities		163 875 788	127 453 227
Net Assets		676 892 457	652 508 582
Accumulated surplus		676 892 457	652 508 582
Total Net Assets		676 892 457	652 508 582

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Financial Performance

	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		342,436	238,633
Service charges	19	38,431,917	34,907,043
Rental of facilities and equipment	20	35,948	46,566
Profit from sale of assets		969,734	-
Other income	21	782,736	253,293
Interest received	22	23,304,586	13,532,789
Inventory & PPE adjustments		-	9,000
Actuarial gains		1,086,499	-
Total revenue from exchange transactions		64,953,856	48,987,324
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	23	307,093,634	279,001,744
Fines, Penalties and Forfeits		200,000	-
Donation		-	13,917,178
Total revenue from non-exchange transactions		307,293,634	292,918,922
Total revenue	18	372,247,490	341,906,246
Expenditure			
Employee related costs	24	(126,824,994)	(113,236,920)
Remuneration of councillors	25	(8,692,381)	(7,012,802)
Depreciation and amortisation	26	(17,057,831)	(15,312,280)
Impairment of assets	27	(31,235)	(3,875,041)
Finance costs	28	(3,298,452)	(436,555)
Debt impairment and debt written off	29	(42,044,431)	(31,477,056)
Bulk purchases	30	(19,777,755)	(19,849,650)
Contracted services	31	(55,930,915)	(58,214,052)
Actuarial gains / (losses)		-	(3,861)
Share of deficits from associates		(32,285,827)	(30,685,127)
Transfer expenditure		(40,500)	(89,164)
General Expenses	32	(43,810,329)	(34,505,550)
Total expenditure		(349,794,650)	(314,698,058)
Surplus for the year		22,452,840	27,208,188

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	626 547 229	626 547 229
Adjustments		
Prior period adjustments	684 200	684 200
Balance at 01 July 2021 as restated*	627 231 429	627 231 429
Changes in net assets		
Surplus for the year	27 208 188	27 208 188
Total changes	27 208 188	27 208 188
Restated* Balance at 01 July 2022	654 439 617	654 439 617
Changes in net assets		
Surplus for the year	22 452 840	22 452 840
Total changes	22 452 840	22 452 840
Balance at 30 June 2023	676 892 457	676 892 457
Note(s)		

* See Note 38

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

		2023	2022
	Note(s)		Restated*
Cash flows from operating activities			
Receipts			
Taxation		17 072 411	31 271 927
Sale of goods and services		14 997 422	14 711 685
Grants		298 364 764	301 439 310
Interest income		7 332 917	3 758 442
		<u>337 767 514</u>	<u>351 181 364</u>
Payments			
Employee costs		(135 578 083)	(120 249 722)
Suppliers		(97 762 266)	(127 817 787)
Finance costs		(3 298 452)	(436 555)
		<u>(236 638 801)</u>	<u>(248 504 064)</u>
Net cash flows from operating activities	34	<u>101 128 713</u>	<u>102 677 300</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(95 368 703)	(74 994 966)
Proceeds from sale of property, plant and equipment	3	1 132 911	-
Purchase of other intangible assets	4	(178 184)	-
		<u>(94 413 976)</u>	<u>(74 994 966)</u>
Net cash flows from investing activities		<u>(94 413 976)</u>	<u>(74 994 966)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(1 244 537)	(1 140 829)
Finance lease payments		250 790	100 626
		<u>(993 747)</u>	<u>(1 040 203)</u>
Net cash flows from financing activities		<u>(993 747)</u>	<u>(1 040 203)</u>
Net increase/(decrease) in cash and cash equivalents		<u>5 720 990</u>	<u>26 642 131</u>
Cash and cash equivalents at the beginning of the year		71 223 202	44 581 071
Cash and cash equivalents at the end of the year	12	<u>76 944 192</u>	<u>71 223 202</u>

* See Note 38

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance Analysis
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	206 000	-	206 000	342 436	136 436	
Service charges	37 269 000	-	37 269 000	38 431 917	1 162 917	The variance is due to indigent incentive that was budgeted for and not implemented.
Rental of facilities and equipment	52 000	-	52 000	35 948	(16 052)	Monte Vista Casino Hall rentals were less than anticipated based on prior year revenue.
Profit on sale of assets	-	1 133 000	1 133 000	969 734	(163 266)	Less profit was earned than anticipated from auction of assets
Other income	675 000	-	675 000	782 736	107 736	More tender documents were sold than budgeted for.
Interest earned	12 314 000	4 900 000	17 214 000	23 304 586	6 090 586	High variance on interest is due to increased prime interest rate during financial year and interest on investment of unspent grants.
Total revenue from exchange transactions	50 516 000	6 033 000	56 549 000	63 867 357	7 318 357	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	328 310 000	5 000 000	333 310 000	307 093 634	(26 216 366)	The variance is due to rollover grant applications that were not approved. Further grants were withheld.
Fines, Penalties and Forfeits	-	-	-	200 000	200 000	These are fines that were charged to supplier for poor performance.
Total revenue from non-exchange transactions	328 310 000	5 000 000	333 310 000	307 293 634	(26 016 366)	

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance Analysis
Total revenue	378 826 000	11 033 000	389 859 000	371 160 991	(18 698 009)	
Expenditure						
Personnel	(110 290 000)	(12 937 000)	(123 227 000)	(126 824 994)	(3 597 994)	Employee cost increased due to increased staff compliment to fill vacant posts
Remuneration of councillors	(7 107 000)	(2 837 000)	(9 944 000)	(8 753 089)	1 190 911	
Depreciation and amortisation	(16 480 000)	(434 000)	(16 914 000)	(17 057 831)	(143 831)	More motor vehicle assets were acquired during the year.
Impairment loss/ Reversal of impairments				(31 235)	(31 235)	
Finance costs	(764 000)	(53 000)	(817 000)	(3 298 452)	(2 481 452)	uThukela Water started charging interest on long outstanding debt during the year.
Debt Impairment	(1 200 000)	(5 687 000)	(6 887 000)	(42 044 431)	(35 157 431)	Debt impairment was less budgeted in anticipation of recoveries since implementation of incentive programme.
Bulk purchases	(21 571 000)	(6 000)	(21 577 000)	(19 777 755)	1 799 245	Less bulk water water purchased than anticipated as some projects were not completed as scheduled.
Contracted Services	(21 923 000)	(23 731 000)	(45 654 000)	(55 930 915)	(10 276 915)	The variance is due to overspending on fuel due to load shedding and overspending on security.
General Expenses	(33 102 000)	(10 729 000)	(43 831 000)	(43 749 621)	81 379	Fuel cost increase due to load shedding and use of generator.
Total expenditure	(212 437 000)	(56 414 000)	(268 851 000)	(317 468 323)	(48 617 323)	
Operating surplus	166 389 000	(45 381 000)	121 008 000	53 692 668	(67 315 332)	
Actuarial gains/losses	-	-	-	1 086 499	1 086 499	Actuarial/losses gains are not budgeted for as they vary significantly from one year to another.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance Analysis
Share of surpluses or deficits from associates	-	-	-	(32 285 827)	(32 285 827)	Share of losses from the associate were not budgeted.
Transfer expenditure	-	-	-	(40 500)	(40 500)	
Total gains and losses	-	-	-	(31 239 828)	(31 239 828)	
Surplus or deficit after capital expenditure	166 389 000	(45 381 000)	121 008 000	22 452 840	(98 555 160)	

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

	2023	2022
	Nota(s)	

1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

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

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

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives of waste and water network and other assets

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

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

Effective interest rate

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

Allowance for doubtful debts

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

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

- (a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.
- (b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

1.5 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	indefinite
Buildings	Straight-line	50
Plant and machinery	Straight-line	5-15 years
Furniture and fixtures	Straight-line	5
Motor vehicles	Straight-line	5
Office equipment	Straight-line	3
Infrastructure	Straight-line	15-120 years
Community	Straight-line	15-50 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Property, plant and equipment (continued)

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3

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

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Intangible assets (continued)

Intangible assets are derecognised:

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

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

1.7 Financial instruments

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

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably.

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

A financial asset is:

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

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

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

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.7 Financial instruments (continued)

Financial Assets

Trade and Other Receivables

Trade and other receivables are categorised as financial assets: loans and receivables including statutory receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. The fair value of Debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.

Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

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

Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

Financial liabilities

Trade and other payables from exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. The fair value of creditors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Borrowings and other financial liabilities

Borrowings/loans payable are financial liabilities, other than short-term payables on normal credit terms. Borrowings are recognised initially at fair value, net transaction costs incurred. Borrowings are subsequently stated at amortised cost. Long-term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Other financial liabilities are carried at amortised cost.

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

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

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

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

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

1.8 Leases

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

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Leases (continued)

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

Operating leases - lessee

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

1.9 Inventories

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

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

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

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

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

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

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

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

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

1.10 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.10 Impairment of non-cash-generating assets (continued)

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

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

1.11 Employee benefits

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

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

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

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

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.11 Employee benefits (continued)

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.11 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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

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

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.12 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

1.13 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.14 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Interest

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

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

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Gifts and donations, including goods in-kind

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

1.16 Comparative figures

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

1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

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

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

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.18 Fruitless and wasteful expenditure

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

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

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

1.19 Irregular expenditure

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

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

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Irregular Expenditure is disclosed inclusive of Value Added Tax (VAT) in the notes.

1.20 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.

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.

1.21 Budget information

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

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

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

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.21 Budget information (continued)

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.22 Related parties

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

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

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

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

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

1.23 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.

1.24 Investment in Associate

An investment in an associate is carried at cost using the equity method.

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

Amajuba District owns 33% of uThukela Water (Pty) Ltd, which is jointly controlled with Newcastle Local Municipality and uMzinyathi District Municipality

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023

2022

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
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2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods but are not relevant to its operations:

Amajuba District Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	569 591	-	569 591	569 591	-	569 591
Buildings	25 624 420	(10 137 462)	15 486 958	25 626 900	(9 575 465)	16 051 435
Plant and machinery	23 928 619	(11 057 579)	12 869 040	20 583 982	(10 163 375)	10 420 607
Furniture and office equipment	13 021 487	(10 901 496)	2 119 991	14 115 085	(11 849 629)	2 265 456
Motor vehicles	14 495 356	(9 089 998)	5 405 358	15 283 468	(11 361 265)	3 922 203
Leased assets	351 416	(83 053)	268 363	100 626	(22 107)	78 519
Community assets	33 538 120	(23 911 475)	9 626 645	33 538 120	(23 070 728)	10 527 392
Work in progress	317 411 804	-	317 411 804	335 415 554	-	335 415 554
Building under construction	40 492 400	-	40 492 400	32 381 756	-	32 381 756
Infrastructure Assets	509 263 734	(297 872 190)	211 381 544	412 541 639	(286 794 234)	125 747 405
Total	978 684 947	(363 053 253)	615 631 694	890 156 721	(352 776 803)	537 379 918

Amajuba District Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	569 591	-	-	-	-	-	569 591
Buildings	16 051 435	-	(97)	-	(564 380)	-	15 486 958
Plant and machinery	10 420 607	4 528 332	(371)	-	(2 079 528)	-	12 869 040
Furniture and office equipment	2 265 456	1 058 236	(25 877)	-	(1 174 867)	(2 957)	2 119 991
Motor vehicles	3 922 203	2 712 356	(593)	-	(1 228 608)	-	5 405 358
Leased assets	78 519	250 790	-	-	(60 946)	-	268 363
Community assets	10 527 392	-	-	-	(900 747)	-	9 626 645
Work in progress	335 415 554	78 708 345	-	(96 712 095)	-	-	317 411 804
Building under construction	32 381 756	8 110 644	-	-	-	-	40 492 400
Infrastructure assets	125 747 405	-	-	96 712 095	(11 049 678)	(28 278)	211 381 544
	537 379 918	95 368 703	(26 938)	-	(17 058 754)	(31 235)	615 631 694

Amajuba District Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Transfers	Donations	Depreciation	Impairment loss	Total
Land	569 591	-	-	-	-	-	569 591
Buildings	16 648 137	9 000	-	-	(598 786)	(6 916)	16 051 435
Plant and machinery	12 381 764	-	-	(17 759)	(1 943 398)	-	10 420 607
Furniture and office equipment	1 512 884	1 556 739	-	-	(813 412)	(755)	2 265 456
Motor vehicles	5 042 798	-	-	-	(1 120 595)	-	3 922 203
Leased assets	95 799	100 626	-	(71 404)	(46 502)	-	78 519
Community	14 357 380	-	-	-	(1 128 366)	(2 701 622)	10 527 392
Work In progress	268 566 063	71 554 878	(4 016 816)	-	-	(688 571)	335 415 554
Building under construction	30 618 033	1 763 723	-	-	-	-	32 381 756
Infrastructure Assets	119 022 212	-	2 946 222	13 917 178	(9 661 031)	(477 176)	125 747 405
	468 814 661	74 994 966	(1 070 594)	13 828 015	(15 312 090)	(3 875 040)	537 379 918

Pledged as security

No property, plant and equipment has been pledged as security for any financial liabilities

Assets subject to finance lease (Net carrying amount)

Other computer equipment

268 363

78 519

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023

2022

3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Building Under Construction	Total
Opening balance	336 486 148	32 381 756	368 867 904
Additions/capital expenditure	79 183 136	8 110 644	87 293 780
Transferred to completed items	(96 712 096)	-	(96 712 096)
	318 957 188	40 492 400	359 449 588

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Building Under Construction	Total
Opening balance	268 566 064	30 618 033	299 184 097
Additions/capital expenditure	71 554 877	1 763 723	73 318 600
Other movements [specify]	(688 571)	-	(688 571)
Transferred to completed items	(2 946 222)	-	(2 946 222)
Expensed	(1 070 594)	-	(1 070 594)
	335 415 554	32 381 756	367 797 310

Expenditure incurred to repair and maintain property, plant and equipment

Maintenance of property plant and equipment	3 327 333	4 482 262
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There are no projects that were identified as taking significantly longer to complete than expected.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Work in progress was impaired by R0 (2022:R688 571) as a result of conditional assessment.

At year end, the municipality had committed itself to R204 117 790 (2022: R193 659 990) authorised capital expenditure to be incurred in the future for work in progress

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Amajuba District Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

4. Intangible assets

	2023		2022			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 977 665	(3 977 468)	197	3 977 665	(3 977 402)	263
Intangible assets under development	3 010 516	-	3 010 516	2 832 332	-	2 832 332
Total	6 988 181	(3 977 468)	3 010 713	6 809 997	(3 977 402)	2 832 595

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Impairment loss	Total
Computer software, other	263	-	(66)	197
Intangible assets under development	2 832 332	178 184	-	3 010 516
Total	2 832 595	178 184	(66)	3 010 713

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	1 270	(1 007)	263
Intangible assets under development	2 832 332	-	2 832 332
Total	2 833 602	(1 007)	2 832 595

Pledged as security

No intangible assets has been pledged as security for any financial liabilities.

Other information

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

		2023	2022		
5. Interests in other entities					
Investments in associates					
Name	Jurisdiction	Determination of ownership interest 2023	Carrying amount 2023	% ownership interest 2022	Carrying amount 2022
uThukela Water Pty (Ltd)	Unlisted	Agreement	118 583 471	- % 33,00 %	150 869 298
			118 583 471		150 869 298
			118 583 471		150 869 298
Movements in carrying amount					
Opening balance			150 869 298		181 554 425
Prior period adjustment			-		13 127 859
Share of profit/(losses) from associate			(32 285 827)		(43 812 986)
			118 583 471		150 869 298
Summary of controlled entity's interest in associate					
Total assets	:	840 393 307	884 511 640		
Total liabilities		541 741 554	488 024 048		
Revenue		230 121 203	185 976 450		
Surplus/(deficit)		(97 835 839)	(92 985 232))		

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
6. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(433 097)	(435 000)
Payments	44 564	41 600
Current interest cost	(47 380)	(36 100)
Actuarial (gain)/loss	11 949	(3 597)
	(423 964)	(433 097)
Non-current liabilities	(377 017)	(389 155)
Current liabilities	(46 947)	(43 942)
	(423 964)	(433 097)
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	(370 653)	(406 753)
Net expense recognised in the statement of financial performance	47 380	36 100
	(323 273)	(370 653)
Net expense recognised in the statement of financial performance		
Interest cost	47 380	36 100
Calculation of actuarial gains and losses		
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	11,83 %	11,20 %
Consumer price inflation	6,58 %	6,80 %
Health care cost inflation	8,08 %	8,30 %
Net discount rate	3,47 %	2,68 %
Expected increase in salaries	6,92 %	7,74 %
7. Inventories		
Maintenance materials	1 533 866	1 569 480
Water for distribution	277 881	130 249
	1 811 747	1 699 729

Inventory pledged as security

No inventory has been pledged as security for any financial liabilities

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
8. Receivables from exchange transactions		
Trade debtors	10 500	10 500
Consumer debtors - Water	9 162 106	5 473 130
Consumer debtors - Waste water	1 655 034	1 419 040
	10 827 640	6 902 670
Statutory receivables general information		
9. Receivables from non-exchange transactions		
Other	15 598	14 852
10. VAT receivable		
VAT	11 578 598	8 709 472
VAT is accounted for on accrual bases and SARS returns are filed on a basis.		
11. Consumer debtors disclosure		
Gross balances		
Consumer debtors - Water	150 162 369	118 836 585
Consumer debtors - Waste water	62 083 718	47 722 423
	212 246 087	166 559 008
Less: Allowance for impairment		
Consumer debtors - Water	(141 000 263)	(113 363 455)
Consumer debtors - Waste water	(60 428 684)	(46 303 383)
	(201 428 947)	(159 666 838)
Net balance		
Consumer debtors - Water	9 162 106	5 473 130
Consumer debtors - Waste water	1 655 034	1 419 040
	10 817 140	6 892 170
Water		
Current (0 -30 days)	3 303 560	3 408 604
31 - 60 days	2 211 195	2 727 484
61 - 90 days	2 551 737	2 340 905
91 - 120 days	2 325 157	2 167 519
121 - 365 days	5 365 785	1 954 189
> 365 days	116 192 035	98 814 489
	131 949 469	111 413 190

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
11. Consumer debtors disclosure (continued)		
Waste water		
Current (0 -30 days)	928 201	924 389
31 - 60 days	655 105	714 608
61 - 90 days	821 140	742 234
91 - 120 days	751 388	614 716
121 - 365 days	2 008 521	584 121
> 365 days	40 209 045	33 139 616
	45 373 400	36 719 684
Other (specify)		
Current (0 -30 days)	1 660 062	2 127 255
31 - 60 days	1 568 388	914 015
61 - 90 days	1 534 774	874 798
91 - 120 days	1 441 972	869 681
121 - 365 days	1 449 521	838 846
> 365 days	27 268 499	12 801 539
	34 923 216	18 426 134

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
11. Consumer debtors disclosure (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	4 195 041	5 579 691
31 - 60 days	3 741 140	3 723 764
61 - 90 days	4 468 713	3 541 445
91 - 120 days	4 107 129	3 283 081
121 - 365 days	8 174 344	3 006 298
> 365 days	166 583 219	132 035 704
	<u>191 269 586</u>	<u>151 169 983</u>
Less: Allowance for impairment	(184 736 421)	(146 806 684)
	<u>6 533 165</u>	<u>4 363 299</u>
Industrial/ commercial		
Current (0 -30 days)	222 624	185 903
31 - 60 days	161 910	239 820
61 - 90 days	148 532	233 225
91 - 120 days	145 011	192 373
121 - 365 days	326 822	196 227
> 365 days	6 828 799	6 046 411
	<u>7 833 698</u>	<u>7 093 959</u>
Less: Allowance for impairment	(7 449 165)	(6 332 278)
	<u>384 533</u>	<u>761 681</u>
National and provincial government		
Current (0 -30 days)	1 474 158	1 001 703
31 - 60 days	531 639	391 527
61 - 90 days	290 406	183 208
91 - 120 days	266 377	175 776
121 - 365 days	322 661	174 416
> 365 days	10 257 488	6 368 436
	<u>13 142 729</u>	<u>8 295 066</u>
Less: Allowance for impairment	(9 243 434)	(6 527 877)
	<u>3 899 295</u>	<u>1 767 189</u>
Total		
Current (0 -30 days)	5 891 823	6 767 297
31 - 60 days	4 434 688	4 355 111
61 - 90 days	4 907 652	3 957 878
91 - 120 days	4 518 517	3 651 230
121 - 365 days	8 823 827	3 376 941
> 365 days	183 669 579	144 450 551
	<u>212 246 086</u>	<u>186 559 008</u>
Less: Allowance for impairment	(201 428 947)	(159 666 839)
	<u>10 817 139</u>	<u>6 892 169</u>
Less: Allowance for impairment		
61 - 90 days	(4 905 685)	(3 957 878)

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
11. Consumer debtors disclosure (continued)		
91 - 120 days	(4 518 030)	(3 651 230)
121 - 365 days	(8 922 775)	(3 376 941)
> 365 days	(183 082 458)	(148 680 790)
	(201 428 948)	(159 666 839)
Total debtor past due but not impaired		
Current (0 -30 days)	4 434 688	4 355 111
31 - 60 days	4 907 652	3 957 878
	9 342 340	8 312 989
Reconciliation of allowance for impairment		
Balance at beginning of the year	(159 666 839)	(128 189 783)
Contributions to allowance	(41 762 108)	(31 477 056)
	(201 428 947)	(159 666 839)

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Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
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12. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	5 872	51 359
Bank balances	39 992 776	7 148 092
Short-term deposits	36 945 544	64 023 751
	<u>76 944 192</u>	<u>71 223 202</u>

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023

2022

12. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Absa Cheque Account -405 347 2593	221 496	455 273	7 530 596	221 496	455 273	7 530 596
Standard Bank Main -062 156 624	39 771 280	6 692 820	-	39 771 280	6 692 820	-
Standard Bank Call Deposit -068 448 3090 02	2 149	2 302 383	2 708 184	2 149	2 302 383	2 708 184
Standard Bank Call Deposit -068 448 3090 08	91 177	2 367 786	6 056 747	91 177	2 368 786	6 056 747
Standard Bank Call Deposit -068 448 3090 06	12 037	11 566	-	12 037	11 566	-
Standard Bank Call Deposit -068 448 3090 10	8 120	1 750 818	6 103 207	8 120	1 750 818	6 103 207
Standard Bank Call Deposit -068 448 3090 11	818 273	53 853	-	818 273	53 853	-
Standard Bank Call Deposit -068 448 3090 13	7 506	774 545	3 595 341	7 506	774 545	3 595 341
Standard Bank Call Deposit -068 448 3090 16	4 799 144	14 791 617	9 873 436	4 799 144	14 791 617	9 873 436
Standard Bank Call Deposit -068 448 3090 20	4 577	662 727	-	4 577	662 727	-
Standard Bank Call Deposit -068 448 3090 38	69 295	5 132 009	-	69 295	5 132 009	-
Standard Bank Call Deposit -068 448 3090 39	2 423 676	-	-	2 423 676	-	-
FNB Call Deposit -62 797 8868 38	356 086	333 513	321 468	356 086	333 513	321 468
Standard Bank Call Deposit -068 448 3090 46	1 395 385	-	-	1 395 385	-	-
Investec Call Deposit -1100 5016 86513	956 884	1 869 516	1 801 109	956 884	1 869 516	1 801 109
Nedbank Call Deposit -0378 8112 40670 00003	6 642 811	6 642 811	6 508 410	6 642 811	6 642 811	6 508 410
Nedbank Call Deposit -0371 6500 88195 000018	-	-	38 109	-	-	38 109
ABSA Call Deposit -9370789666	29 624	16 171 566	-	29 408	16 171 566	-
Nedbank Call Deposit -0371 6500 88195 000022	-	-	3 889	-	-	3 889
ABSA Call Deposit -9364 7430 40	6 324 078	8 807 918	-	6 324 078	8 807 918	-
ABSA Call Deposit -9369 9834 37	567 185	2 351 042	-	567 185	2 351 042	-
ABSA Call Deposit -9378 6228 90	258 160	-	-	258 160	-	-
Standard Bank Call Deposit -068 448 3090 47	1 749 383	-	-	1 749 383	-	-
Standard Bank Call Deposit -068 448 3090 48	34 545	-	-	34 545	-	-
Standard Bank Call Deposit -068 448 3090 49	35 193	-	-	35 193	-	-
Standard Bank Call Deposit -068 448 3090 50	1 183 047	-	-	1 183 047	-	-

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023		2022	
12. Cash and cash equivalents (continued)				
Standard Bank Call Deposit -068 448 3090 51	9 176 339	-	9 176 339	-
Total	76 937 450	71 171 763	76 937 234	44 540 496

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
13. Finance lease obligation		
Minimum lease payments due		
- within one year	197 176	58 080
- in second to fifth year inclusive	163 374	31 680
	<u>360 550</u>	<u>89 760</u>
less: future finance charges	49 561	10 426
Present value of minimum lease payments	<u>410 111</u>	<u>100 186</u>
Present value of minimum lease payments due		
- within one year	197 176	58 080
- in second to fifth year inclusive	163 374	31 680
	<u>360 550</u>	<u>89 760</u>
14. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	11 339 463	-
Water Services Infrastructure Grant	7 617 775	19 470 429
Accelerated Intervention Water Supply Programme	-	865 731
Disaster Management Grant	-	6 771 141
Rural Road Asset Management Grant	-	578 825
	<u>18 957 238</u>	<u>27 686 126</u>

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

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

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
15. Other financial liabilities		
At amortised cost		
DBSA Loan	2 843 580	4 088 117
Terms and conditions		
<p>DBSA loan was inherited from uThukela Water Pty (Ltd). The original loan transferred to Amajuba was R10 475 279.30 for a period of 9 years at 9% interest and is repayable semi-annually. The redemption date is 31 January 2025.</p>		
Non-current liabilities		
At amortised cost	1 359 078	2 843 580
Current liabilities		
At amortised cost	1 484 502	1 244 537
Financial liabilities at amortised cost		

Amajuba District Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

16. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Legal proceedings	601 276	-	(515 379)	(85 897)	-	-	-
Provision for office bearer compensation	1 402 756	-	(1 402 756)	-	-	-	-
Provision for leave days	9 095 010	1 744 141	(938 016)	-	-	-	9 901 135
Long service awards	7 572 244	694 469	(1 412 956)	-	775 464	(1 074 550)	6 554 671
Provision for worksmen compensation	6 602 401	249 853	(5 468 277)	(1 134 124)	-	-	249 853
	25 273 687	2 688 463	(9 737 384)	(1 220 021)	775 464	(1 074 550)	16 705 659

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Legal proceedings	-	601 276	-	-	-	601 276
Provision for office bearer compensation	-	1 402 756	-	-	-	1 402 756
Provision for leave days	9 785 489	712 482	(1 402 756)	-	-	9 095 010
Long service awards	6 802 000	671 020	(509 000)	608 000	224	7 572 244
Provision for worksmen compensation	6 016 969	585 432	-	-	-	6 602 401
	22 604 458	3 972 986	(1 911 756)	608 000	224	25 273 687

Non-current liabilities
Current liabilities

5 979 475
10 726 184
16 705 659

6 218 700
19 054 987
25 273 687

Amajuba District Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

16. Provisions (continued)

Employee long service awards

Amajuba offers bonuses for every 5 years of completed service from 5 years to 45 years. Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. Amajuba advised that in most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

An employee that has five or more years of service who leaves the service of the Municipality for any reason whatsoever, excluding reasons relating to misconduct, shall receive a pro-rata long service bonus for any uncompleted period.

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in the future based on service accrued to the valuation date and awards projected to the retirement date. In determining these liabilities, due allowance has been made for future award increases..

The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

The key assumptions used in the valuation are summarised below:

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology for setting the financial assumptions has been updated to be more duration-specific. At the previous valuation report, 30 June 2022 the duration of liabilities was 7.66 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 11.57% per annum, and the yield on inflation-linked bonds of a similar term was about 4.86% per annum. This implies an underlying expectation of inflation of 5.92% per annum $\{(1 + 11.57\% - 0.5\%) / [1 + 4.86\%] - 1\}$.

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 6.92% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 2.81% per annum: $\{(1 + 11.57\%) / [1 + 6.92\%] - 1\}$.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
17. Payables from exchange transactions		
Trade payables	107 073 780	57 873 756
Payments received in advance	2 390 587	2 533 415
Retentions	15 986 157	9 348 247
Deposits control account	(1 196 753)	(1 259 897)
Consumer deposits	319 902	300 267
Salaries control	(15 869)	1 039 659
	124 557 804	69 835 447

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
18. Revenue		
Sale of goods	342 436	238 633
Service charges	38 431 917	34 907 043
Rental of facilities and equipment	35 948	46 566
Profit on sale of assets	969 734	-
Other income	782 736	253 293
Interest received	23 304 586	13 532 789
Government grants & subsidies	307 093 634	279 001 744
Fines, Penalties and Forfeits	200 000	-
Donations	-	13 917 178
	371 160 991	341 897 246
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	342 436	238 633
Service charges	38 431 917	34 907 043
Rental of facilities and equipment	35 948	46 566
Profit on sale of assets	969 734	-
Other income	782 736	253 293
Interest received - investment	23 304 586	13 532 789
	63 867 357	48 978 324
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	307 093 634	279 001 744
Retention forfeits	200 000	-
Donations	-	13 917 178
	307 293 634	292 918 922
19. Service charges		
Sale of water	29 313 470	25 877 468
Sewerage and sanitation charges	9 118 447	9 029 575
	38 431 917	34 907 043
20. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	35 948	46 566
21. Other income		
Collection charges	-	5 378
SDL levy refund	782 736	247 915
	782 736	253 293

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
22. Investment revenue		
Interest revenue		
Bank	7 332 917	3 758 442
Interest charged on trade and other receivables	15 971 669	9 774 347
	23 304 586	13 532 789

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Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
23. Government grants and subsidies		
Operating grants		
Equitable share	201 814 000	184 017 000
Finance Management Grant	2 750 000	2 550 000
EPWP	1 902 000	1 693 000
RRAMS	2 361 000	1 676 175
Councillors Training	-	70 163
	208 827 000	190 006 338
Capital grants		
Accelerated Intervention Water Supply Programme	5 765 731	5 100 000
Municipal Infrastructure Grant	33 347 537	43 250 000
Water Services Infrastructure Grant	52 382 225	40 645 406
KZN Cogta Disaster Management Grant	6 771 141	-
	98 266 634	88 995 406
	307 093 634	279 001 744
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	105 279 637	95 039 780
Unconditional grants received	201 814 000	184 017 000
	307 093 637	279 056 780

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
23. Government grants and subsidies (continued)		
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. Also in terms of Section 74 (2)(i) of the Municipal act requires the extent of subsidisation of tariffs for poor households and other categories of users to fully disclosed.		
Municipal Infrastructure Grant		
Current-year receipts	44 687 000	43 250 000
Conditions met - transferred to revenue	(33 347 537)	(43 250 000)
	<u>11 339 463</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 14).		
Water Services Infrastructure Grant (WSIG)		
Balance unspent at beginning of year	19 470 429	2 016 422
Current-year receipts	60 000 000	60 000 000
Conditions met - transferred to revenue	(52 382 225)	(40 645 407)
Roll-over application not approved	(19 470 429)	(1 900 586)
	<u>7 617 775</u>	<u>19 470 429</u>
Conditions still to be met - remain liabilities (see note 14).		
EPWP		
Current-year receipts	1 902 000	1 693 000
Conditions met - transferred to revenue	(1 902 000)	(1 693 000)
	<u>-</u>	<u>-</u>
Councillors training grant		
Balance unspent at beginning of year	-	70 163
Conditions met - transferred to revenue	-	(70 163)
	<u>-</u>	<u>-</u>
Accelerated Intervention Water Supply Programme		
Balance unspent at beginning of year	865 731	865 731
Current-year receipts	4 900 000	5 000 000
Conditions met - transferred to revenue	(5 765 731)	(5 000 000)
	<u>-</u>	<u>865 731</u>
KZN Cogta Disaster Management Grant		
Balance unspent at beginning of year	6 771 141	1 771 141
Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	(6 771 141)	-
	<u>-</u>	<u>6 771 141</u>

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
23. Government grants and subsidies (continued)		
Rural Road Asset Management Systems Grant (RRAMS)		
Balance unspent at beginning of year	578 807	425 086
Current-year receipts	2 361 000	2 255 000
Conditions met - transferred to revenue	(2 361 000)	(1 676 175)
Roll-over application not approved	(578 807)	(425 104)
	<u>-</u>	<u>578 807</u>
Finance Management grant		
Current-year receipts	2 750 000	2 550 000
Conditions met - transferred to revenue	(2 750 000)	(2 550 000)
	<u>-</u>	<u>-</u>

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
24. Employee related costs		
Basic	80 975 894	70 848 862
Bonus	5 226 118	4 993 374
Medical aid - company contributions	4 450 890	4 670 860
UIF	486 144	422 407
Leave pay provision charge	1 690 389	848 257
Telephone and cellphone allowances	849 629	682 589
Overtime payments	9 904 729	10 522 276
Long-service awards	1 469 933	769 980
Car allowance	7 975 936	6 559 225
Housing benefits and allowances	514 458	511 907
Post-retirement medical interest	47 380	41 600
Bargain council	26 875	21 110
Group life insurance	397 515	346 414
Standby allowances	3 621 935	3 403 667
Pension	9 187 169	8 594 392
	126 824 994	113 236 920
Remuneration of Municipal Manager		
Annual Remuneration	693 054	-
Cellphone Allowance	10 929	-
	703 983	-
The acting Accounting Officer was appointed in November 2022 and fully appointed in June 2023.		
Remuneration of Chief Financial Officer		
Annual Remuneration	581 110	846 307
Cellphone Allowance	13 214	19 500
Acting Allowance	51 760	56 769
Leave Encashment	53 040	-
	699 124	922 576
The position of Chief Financial Officer was vacant since February 2023.		
Remuneration of Director Corporate Services		
Annual Remuneration	838 689	336 629
Cellphone Allowance	21 286	4 500
Acting Allowance	108 529	112 949
Car Allowance	127 988	-
Leave Encashment	224 541	-
	1 321 033	456 078

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

2023 2022

24. Employee related costs (continued)

Remuneration of Director Engineering Services

Annual Remuneration	1,111,544	811,416
Cellphone Allowance	20,500	18,000
Performance Bonuses	-	20,628
Acting Allowance	36,413	-
	1,168,457	850,044

The new permanent director was appointed in May 2023.

Remuneration of Director Planning and Development

Annual Remuneration	409,138	811,416
Cellphone Allowance	9,000	18,000
	418,138	829,416

The position of Director Planning & Development has been vacant since December 2022. The new permanent director was appointed in June 2023

Remuneration of Director Community services

Annual Remuneration	570,114	751,048
Performance Bonuses	62,587	62,587
Cellphone Allowance	12,000	24,000
Acting Allowance	4,057	111,012
Car Allowance	17,896	-
Leave Encashment	48,960	-
	715,614	948,647

The position of Director Community Services has been vacant since 01 February 2023. The new permanent director was appointed in May 2023.

25. Remuneration of councillors

Mayor	572,961	687,253
Deputy Mayor	657,286	720,314
Mayoral Committee Members	3,094,797	1,542,735
Speaker	779,840	421,418
Councillors	3,587,497	3,641,082
	8,692,381	7,012,802

In-kind benefits

The Executive Mayor, Deputy Mayor, Speaker, Chief Whip, MPAC Chairperson and Mayoral Committee Members are full-time. They are provided with office space and secretarial support at the cost of the Council.

The Executive Mayor, Deputy Mayor and Speaker are each allocated Council owned vehicles for official duties. Executive council and other council members are also provided with tools of trade including laptops, tablets and cellphones.

The Executive Mayor, Deputy Mayor and Speaker are each provided two full-time bodyguards. Other council members are provided with bodyguards upon Council approval after threat and risk analysis

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
25. Remuneration of councillors (continued)		
Additional information		
The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.		
26. Depreciation and amortisation		
Property, plant and equipment	17 057 766	15 311 273
Intangible assets	65	1 007
	17 057 831	15 312 280
27. Impairment of assets		
Impairments		
Property, plant and equipment	31 235	3 875 041
28. Finance costs		
Non-current borrowings	296 063	389 331
Other	3 002 389	47 224
	3 298 452	436 555
29. Debt impairment and debt written off		
Debt impairment	41 762 108	31 477 056
Debts written off	282 323	-
	42 044 431	31 477 056
30. Bulk purchases		
Water	19 777 755	19 849 650

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
31. Contracted services		
Outsourced Services		
Administrative and Support Staff	468 473	635 014
Catering Services and Events	1 822 455	38 900
Hygiene Services	55 479	19 410
Organic and Building Refuse Removal	69 218	106 865
Professional Staff	-	216
Security Services	16 730 533	8 719 244
Sewerage Services	5 212 605	1 132 580
Water Tankers	10 481 455	8 739 365
Consultants and Professional Services		
Business and Advisory	8 303 392	17 446 923
Infrastructure and Planning	3 081 567	3 745 612
Engineering Services	554 550	3 383 976
Legal Costs	1 599 898	1 440 260
Contractors		
Employee Wellness	42 422	242 420
Fire Services	500 670	247 846
Gardening Services	8 763	13 868
Maintenance of Buildings and Facilities	926 839	328 032
Maintenance of Equipment	593 832	5 618 465
Maintenance of Unspecified Assets	1 953 766	5 982 367
Pest Control and Fumigation	5 752	162 525
Sports and Recreation	3 519 246	210 164
	55 930 915	58 214 052

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
32. General expenses		
Advertising, Publicity and Marketing	1 690 115	1 033 078
Auditors remuneration	4 628 442	5 175 452
Bank charges	615 439	427 403
Consulting and professional fees	293 774	601 276
Entertainment	94 050	79 677
Hire	941 294	968 886
Insurance	913 417	3 098 990
Conferences and seminars	962 095	1 444 398
IT expenses	2 847 305	1 659 792
Levies	1 121 121	1 017 653
Fuel and oil	11 135 761	3 984 593
Postage and courier	478 882	703 057
Printing and stationery	174 181	151 262
Protective clothing	672 862	220 841
Workmen's Compensation	679 751	605 237
Subscriptions and membership fees	1 364 164	915 131
Telephone and fax	1 549 018	1 322 237
Transport and freight	-	10 449
Travel - local	2 606 528	1 695 472
Water and Electricity	9 759 375	8 775 577
Other expenses	1 222 047	615 089
	43 749 621	34 505 550
33. Auditors' remuneration		
Fees	4 628 442	5 175 452

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
34. Cash generated from operations		
Surplus	22 452 840	27 208 188
Adjustments for:		
Depreciation and amortisation	17 057 831	15 312 280
Transfer expenditure	40 500	89 164
Income from equity accounted investments	32 285 827	30 685 127
Inventory & PPE adjustments	-	(9 000)
Impairment of assets	31 235	3 875 041
Debt impairment	41 762 108	31 477 056
Bad debts written off	282 323	-
Movements in retirement benefit assets and liabilities	(9 133)	(1 903)
Movements in provisions	(8 568 028)	2 669 229
Interest cost post retirement medical aid	47 380	36 100
Actuarial (gain)/loss	(1 086 499)	3 861
Interest cost post long service awards	775 464	608 000
Other non-cash	766 885	(12 010 093)
Changes in working capital		
Inventory	(1 112 018)	442 573
Consumer debtors	(45 687 079)	(35 548 578)
Other receivables from non-exchange transactions	(746)	-
Prepayments	(2 034 519)	(330 073)
Payables from exchange transactions	54 722 356	(9 634 470)
Movement in VAT	(2 869 126)	25 266 542
Unspent conditional grants and receipts	(8 728 888)	22 538 256
	101 128 713	102 677 300

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
35. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	158 599 527	193 659 990
Total capital commitments		
Already contracted for but not provided for	158 599 527	193 659 990
Authorised operational expenditure		
Already contracted for but not provided for		
• Security Services	13 616 518	1 966 224
• IT Services	8 023 604	5 116 718
• Professional Services	3 892 295	3 870 208
• Other	-	1 585 066
	25 532 417	12 538 216
Total operational commitments		
Already contracted for but not provided for	25 532 417	12 538 216
Total commitments		
Total commitments		
Authorised capital expenditure	158 599 527	193 659 990
Authorised operational expenditure	25 532 417	12 538 216
	184 131 944	206 198 206

The above commitments are recorded inclusive of Value Added Tax (VAT).

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

2023

2022

36. Contingencies

LITIGATION MATTER INSTITUTED AGAINST ADM

Litigation against the municipality was instituted by Integrity Forensic Solution for unpaid services amounting to R602 502.83. Letter of Demand is R878,800-34 of which amounts still outstanding are : Claim 2 R602,502-83, claim for R126,210-71 and further legal costs still to be incurred estimated at ±R1 800 000.

Claim for Damages by K Made arising out of injuries sustained by a member of the public while attending a June 16 celebration in 2016, costs are estimated to be R9 million.

Litigation against the municipality was instituted by Stratcon – Summons for services rendered for R10 508 997.41. Management consider the likelihood of the action against the municipality being successful as unlikely. Estimated risk for legal costs in this matter is ±R120 000.

Application was instituted against the Municipality by a former CFO of the municipality in the Labour Court Johannesburg for salary related monies. The parties are currently engaged with pre-trial proceedings, whereafter the matter may be set down for trial. Management's estimate of financial implications in the amount of R487 766,31 represents the claim amount. Estimated risk for legal costs in this matter is ±R660 000,00

Objection received from Inzalo Enterprise Management Systems -Notice of Motion received ito Tender T2020/14. R4,484,354-27 was claimed. Legal costs to date R177 585.35

Lulama Langa & Another / Siphon Mhlongo - Staff dispute Awaiting order from court plus legal costs on the matter therefore it was impractical at reporting date to estimate possible liability relating to the claim.

Mr SG Ndaba is not reporting to work due to health reasons. He has lodged a claim against the municipality for failing to provide medical assistance, Attorney's estimate including legal costs +/- R350 000

B P Radebe ex-employee's claim of R86 000 iro monies deducted for overpayment of standby monies on retirement. The matter is held at the Magistrate's Court, Madadeni. Attorney's estimate including legal costs +/- R120 000

S C Nyandeni claim amounting to R25 230 for damages to his vehicle as a result of an accident allegedly caused by a staff member of ADM.

Request for historical information withheld by Sebata due to disputed appointment of financial system service provider. Sebata is demanding R1.2Million to release information.

Magenta Security a letter of demand was sent to DCS on 07 October 2022 for two claims amounting to R1 319 926 from Groenewald attorneys iro Security Services rendered to the Mayor and Speaker

Department of COGTA summons was received to claim amount of R1 777 141.27 unused MIG monies paid to ADM for the Completion of Disaster Centre. Attorneys DBM received confirmation from them on 8 September 2022 that the filing of further pleadings will be held in abeyance, pending further instructions from COGTA. Attorney's estimate including legal costs +/- R75 000.

Thaka - Tender T2022/08. Objection received from Thaka Security for p tender awarded to Izinhlozi T2022/08.

Contingent assets

A claim for R7 488 931.28 against Hollard insurance was instituted by the municipality for unpaid guarantees in respect of the construction Disaster Centre that was not completed by the contractor. Estimated risk for legal costs in this matter is ±R750 000,00. The parties are currently engaged in pre-trial proceedings whereafter the matter will be enrolled for trial.

Ntshiana Trading Enterprise Claim is for money on contract awarded by the Municipality and then cancelled again due to breach thereof by Ntshiana. Ntshiana withdrew the matter. ADM is now claiming for out costs herein. Estimated risk for legal costs in this matter is ±R50 000.

Thaka - Tender T2022/08 - Bill of Costs (tender objection). Attorneys application against Thaka was successful. They are now in the process to recovered the taxed costs from Thaka. Estimated risk for legal costs in this matter is ±R125 000.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
37. Related parties		
Relationships		
Councillors	Compensation for Executive Mayor, Mayoral Committee members and Municipal Council members are separately disclosed under remuneration for councillors note.	
Members of key management	Key management personnel compensations are separately disclosed under employee related costs note.	
Controlled entities	Amajuba Development Agency (Proprietary) Limited: Amajuba Economic Development Agency (Pty) Ltd was registered in December 2014. This entity is fully owned and controlled by Amajuba District Municipality. The agency is currently not carrying on business and has no assets and liabilities.	
Associates	uThukela Water (Proprietary) Limited The entity, uThukela Water (Pty) Ltd, is jointly owned and controlled by Amajuba DM, Newcastle Local Municipality and uMzinyathi District Municipality and supplies the municipality with bulk water services:	
Related party balances		
Amounts included in Trade receivable (Trade Payable) regarding related parties		
uThukela Water (Pty) Limited	(45 605 517)	(32 586 042)
Purchases from (sales to) related parties		
uThukela Water (Pty) Limited (vat incl.)	22 859 141	22 775 597
Interest on outstanding debt	2 741 326	17 433
	25 600 467	22 793 030

38. Prior-year adjustments

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

Statement of financial position

2022

	Note	As previously reported	Correction of error	Restated
Property plant and equipment		538 450 512	(1 070 594)	537 379 918
Provisions		(27 086 859)	1 813 171	(25 273 688)
Investment in associate		137 741 439	13 127 859	150 869 298
Payables from exchange transactions		(68 834 584)	(1 000 863)	(69 835 447)
VAT Receivable		8 612 721	96 751	8 709 472
Employee benefit obligation		(435 201)	2 104	(433 097)
		588 448 028	12 968 428	601 416 456

Statement of financial performance

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023

2022

38. Comparative figures (continued)

2022

	Note	As previously reported	Correction of error	Restated
Employee cost		(113 192 168)	(44 752)	(113 236 920)
Councillors remuneration		(7 161 143)	148 341	(7 012 802)
Contracted services		(54 708 577)	(3 505 475)	(58 214 052)
Finance cost		(419 122)	(17 433)	(436 555)
General expenditure		(36 103 018)	1 597 468	(34 505 550)
Actuarial losses		(44 973)	41 112	(3 861)
Share of deficits from associates		(43 812 986)	13 127 859	(30 685 127)
Surplus for the year		(255 441 987)	11 347 120	(244 094 867)

Errors

The following prior period errors adjustments occurred:

General expenses

General expenditure was adjusted due expenditure previously not recognised.

Finance cost

Finance cost was adjusted due to interest charge by uThukela in 2022 not recognised.

Employee cost

Employee cost was adjusted with medical aid contributions that were not recognised.

Share of deficits from associates

Share of losses from associate was reduced by R13 127 859 after receiving audited 2023 uThukela Water annual financial statements.

Payables from exchange transactions

Payables from exchange transactions was adjusted due expenditure previously not recognised.

VAT Receivable

VAT was adjusted due expenditure previously not recognised.

Contracted Services

Maintenance expenditure was increased by R1 070 594 due Emafusini temporary sewer works which was erroneously capitalised to work in progress in 2022.

Some contracted services were adjusted due expenditure previously not recognised.

Employee benefit obligation

Employee benefit obligation was adjusted by R2 104 to correct post medical aid benefit non-current balance. Actuarial losses were adjusted by R41 112 due error in recognition in prior year.

Property plant and equipment

Property plant and equipment was reduced by R1 070 594 due Emafusini temporary sewer works which was erroneously capitalised to work in progress in 2022.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023

2022

38. Comparative figures (continued)

Irregular expenditure

Opening balance	-	285 926 126
Adjustments made	-	1 727 980
Restated opening balance	-	287 654 106

Adjustment made to opening balance of irregular expenditure is due expenditure relating to 2022 road shows which was confirmed that it was irregular in during the year.

Unauthorised expenditure

Opening balance	-	782 102 531
Adjustments made	-	(13 127 859)
Restated opening balance	-	768 974 672

Adjustment made to opening balance of fruitless and wasteful expenditure is due to change in share of losses from associate in the audited uThukela Water AFS..

Reclassifications

The following reclassifications adjustment occurred:

Contracted services

Information technology services

Expenditure previously reported as information technology services amounting to R2 772 was reclassified to general expenditure since it was relating advertisement..

General expenses

Operating lease rentals

Ad hoc plant hire R146 670 was incorrectly classified as operating lease rentals in 2022. This amount has been reclassified to hire charges under general expenditure.

Other expenses

Worksmen compensation was reclassified from other expenses and disclosed separately under general expenses.

Provisions

Prior year provisions were adjusted by R1 402 756 due to error from duplicated transaction of office bearer compensation.

Prior year provisions were also adjusted by R410 659 after revised 2022 Workmen compensation invoice was received from department of labour.

39. Risk management

Liquidity risk

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

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023 2022

39. Risk management (continued)

Credit risk

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

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

Financial instrument	2023	2022
Cash and cash equivalents	76 944 192	71 223 202
VAT Receivable	11 578 598	8 709 472
Receivables from exchange revenue (gross balance)	212 246 087	166 559 008
Other financial liabilities	(2 843 580)	(4 088 118)
Payables from exchange transactions	(124 557 804)	(69 835 447)
Unspent conditional grants	(18 957 238)	(27 631 090)

40. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of 676 892 457 and that the municipality's total assets exceed its liabilities by 676 892 457.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the municipality will continue to obtain funding from National Treasury based on 2023-24 Division of Revenue Act allocations which includes both conditional and unconditional grants.

41. Events after the reporting date

There are no material events after reporting for financial year 2022/2023..

42. Unauthorised expenditure

Opening balance as previously reported	782 102 531	677 164 048
Correction of prior period error	(13 127 859)	-
Opening balance as restated	768 974 672	677 164 048
Add: Expenditure identified - current	84 170 083	104 938 483
Less: Approved/condoned/authorised by council	(64 898 298)	-
Closing balance	788 246 457	782 102 531

Analysed as follows: non-cash

Impairment loss of assets	31 235	3 875 041
Actuarial losses	-	44 973
Share of losses from associate	32 285 827	43 812 986
Debt impairment	35 157 431	23 234 719
Losses from donated	40 500	89 164
Depreciation and amortisation	143 831	-
	67 658 824	71 056 883

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
42. Unauthorised expenditure (continued)		
Analysed as follows: cash		
Finance costs	2 284 304	-
Contracted services	10 276 915	17 603 293
Operating lease	-	146 670
Employee related costs	3 597 994	15 306 429
Remuneration of councillors	-	825 209
	16 159 213	33 881 601

Disciplinary steps taken/criminal proceedings

There were no disciplinary steps taken or criminal proceedings relating to unauthorised expenditure.

43. Fruitless and wasteful expenditure

Opening balance as previously reported	2 406 842	2 194 556
Opening balance as restated	2 406 842	2 194 556
Add: Expenditure identified - current	3 375 096	212 286
Add: Expenditure identified - prior period	17 433	-
Less: Amount written off - prior period	(319 048)	-
Closing balance	5 480 323	2 406 842

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023

2022

43. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	2023	2022
Eskom	56 061	23 286
Newcastle Municipality	-	1 356
Telkom	-	260
Auditor General	14 170	2 804
SARS	198 075	184 581
uThukela Water	2 741 326	-
Department of Labour	382 897	-
	3 392 529	212 287

Disciplinary steps taken/criminal proceedings

None
None
None
None
None

Disciplinary steps taken/criminal proceedings

There were no disciplinary steps taken or criminal proceedings relating to fruitless and wasteful expenditure.

44. Irregular expenditure

Opening balance as previously reported	285 926 085	255 432 348
Correction of prior period error	1 727 980	-
Opening balance as restated	287 654 065	255 432 348
Add: Irregular Expenditure - current	57 299 300	57 552 374
Less: Amount written off - prior period	(228 042 852)	(27 058 637)
Closing balance	116 910 513	285 926 085

Amajuba District Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023 2022

44. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings	
SCM processes not followed	37 353 254	28 487 204
BAC not properly composed in terms of SCM Reg 29(2)	5 498 603	11 508 277
SCM Regulation 36 - Deviation not met	8 140 690	17 556 893
Expenditure above contract amount	6 306 753	-
	57 299 300	57 552 374

Cases under investigation

Irregular Expenditure prior to 2018 financial year

50 896 237 50 896 237

Disciplinary steps taken/criminal proceedings

There was no irregular expenditure that resulted in disciplinary steps taken or criminal proceedings.

45. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee

4 628 442 5 175 452

PAYE and UIF

Current year subscription / fee
Amount paid - current year

25 452 593 22 468 275
(25 452 593) (22 468 275)

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
45. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Pension and Medical Aid Contributions		
Current year subscription / fee	13 969 951	13 306 852
Amount paid - current year	(13 969 951)	(13 306 852)
VAT		
VAT receivable	11 576 598	8 709 472

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

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

Councillors' arrear consumer accounts

As at 30 June 2023 there were no councillors with arrear accounts outstanding for more than 90 days.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023

2022

46. Deviation from 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 Accounting Officer and noted by Council. The following are deviations that were approved by the Accounting Officer.

Description of Goods/ Service/ Works	Date	Supplier	Award Value	Reason for deviation
Supply and install air system pressure.	15/07/2022	GR Solutions	24 937	Goods or services are available from a single service provider
Mayoral Reception for 2022 SALGA games.	21/11/2022	Kukonke Trading Enterprise	450 700	This is an exceptional case where it is impractical or impossible to follow the official procurement processes.
Accommodation for Athletes for SALGA games 2022.	04/11/2022	Bergsig LSEN School	160 000	This is an exceptional case where it is impractical or impossible to follow the official procurement processes.
Accommodation for Athletes for SALGA games 2022.	04/11/2022	Utrecht High School	423 000	This is an exceptional case where it is impractical or impossible to follow the official procurement processes.
Accommodation for officials who will be assisting during SALGA games 2022.	14/11/2022	Murolo B&B	104 190	This is an exceptional case where it is impractical or impossible to follow the official procurement processes.
Accommodation for officials who will be assisting during SALGA games 2022.	14/11/2022	Emadlangeni Municipality (Balele Community Game Lodge)	41 480	This is an exceptional case where it is impractical or impossible to follow the official procurement processes.
Mayoral VIP Protection.	04/01/2023	Marble Beat (PTY) LTD	196 000	This is an exceptional case where it is impractical or impossible to follow the official procurement processes.
Urgent supply and delivery of a pump at the Sewer Pump Station.	17/02/2023	RSA Pumps (PTY) LTD	61 584	This is an exceptional case where it is impractical or impossible to follow the official procurement processes.
Screening of 7 Candidates for the Position of the Municipal Manager.	20/02/2023	The Assessment Toolbox	74 745	This is an exceptional case where it is impractical or impossible to follow the official procurement processes.
Urgent supply and delivery of a pump at the Sewer Pump Station No.2	10/02/2023	Kusasa Commodities	46 632	This is an exceptional case where it is impractical or impossible to follow the official procurement processes.
Urgent supply and delivery of 3 Wendy houses	02/03/2023	63ME Enterprises	40 500	Emergency
Urgent supply and delivery of a pump at the Sewer Pump Station	17/02/2023	RSA Pumps (PTY) LTD	61 584	Exceptional case where it is impractical or impossible to follow the official procurement process
Urgent supply and delivery of a pump at the Sewer Pump Station No.2	10/02/2023	Kusasa Commodities	46 632	Exceptional case where it is impractical or impossible to follow the official procurement process
Repair and Service of six fire equipment	01/06/2023	Construction and Cutting	25 000	Exceptional case where it is impractical or impossible to follow the official procurement process
			1 756 984	

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023

2022

47. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major function areas: Governance and Administration, Community and Public Safety, Economic and Environmental Services and Trading Services. The segments were organised around the type of service delivered by the municipality which are also the main revenue generating streams. Management uses these same segments for determining strategic objectives per funding sources that fund the municipal operations as per mSCOA. Segments were aggregated for reporting purposes.

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

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Water Management	Water Services
Waste Water Management	Sewage Services

Segment surplus or deficit, assets and liabilities

Segment surplus or deficit

2023

	Trading Services	Other revenue	Total Segment revenue	Total segment (deficit) surplus
Revenue				
External revenue from non-exchange transactions	91 495 493	215 598 141	307 093 634	307 093 634
External revenue from exchange transactions	38 431 917	-	38 431 917	38 431 917
Interest revenue	15 971 669	7 332 917	23 304 586	23 304 586
Other income	-	3 417 353	3 417 353	3 417 353
Total	145 899 079	226 348 411	372 247 490	372 247 490
Entity's revenue			372 247 490	
Other reconciling items				
Interest expense				(3 298 452)
Salaries and Wages				(135 578 083)
Depreciation				(17 057 831)
Other expenditure				(193 860 284)
Entity's Surplus (deficit) for the period				22 452 840

2022

	Trading Services	Other revenue	Total Segment revenue	Total segment (deficit) surplus
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Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

47. Segment information (continued)

Revenue

External revenue from non-exchange transactions	88 895 407	190 106 337	279 001 744	279 001 744
External revenue from exchange transactions	34 907 043	-	34 907 043	34 907 043
Interest revenue	9 774 347	3 758 442	13 532 789	13 532 789
Other income		14 464 670	14 464 670	14 464 670
Total	133 576 797	208 329 449	341 906 246	341 906 246
Entity's revenue			341 906 246	
Other reconciling items				
Interest expense				(436 555)
Salaries and Wages				(120 249 722)
Depreciation				(15 312 280)
Other expenditure				(178 699 501)
Entity's Surplus (deficit) for the period				27 208 188

Segment assets and liabilities

2023

	Trading Services	Other	Total segment assets & liabilities
Cash		39 998 648	39 998 648
Call investment deposits		36 945 544	36 945 544
Consumer debtors	10 817 140	-	10 817 140
Other debtors		13 969 288	13 969 288
Inventory	1 811 747	-	1 811 747
Investment in associates	118 583 471	-	118 583 471
Property, plant and equipment	528 793 348	86 838 346	615 631 694
Intangible		3 010 713	3 010 713
Total segment assets	660 005 706	180 762 539	840 768 245
Reconciling items			
Borrowings		(2 843 580)	(2 843 580)
Trade and other payables		(124 557 804)	(124 557 804)
Unspent conditional grants		(18 957 238)	(18 957 238)
Other liabilities		(9 414 053)	(9 414 053)
Total segment liabilities		(155 772 675)	(155 772 675)

2022

	Trading Services	Other	Total segment assets & liabilities
Cash		7 199 451	7 199 451
Call investment deposits		64 023 751	64 023 751
Consumer debtors	6 892 170	-	6 892 170
Other debtors	9 064 897	-	9 064 897
Inventory	1 699 729	-	1 699 729
Investment in associates	150 869 298	-	150 869 298
Property, plant and equipment	461 162 959	76 216 959	537 379 918
Intangible		2 832 595	2 832 595
Total segment assets	629 689 053	150 272 756	779 961 809

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

47. Segment information (continued)

Reconciling items

Borrowings	(4 088 117)	(4 088 117)
Trade and other payables	(69 835 447)	(69 835 447)
Unspent conditional grants	(27 686 126)	(27 686 126)
Other liabilities	(16 255 349)	(16 255 349)
Total segment liabilities	(117 865 039)	(117 865 039)

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
48. Water distribution losses		
Water Distribution losses were calculated in terms MFMA circular 71 as follows		
Units lost (Kilolitres)	2 400 078	3 114 881
Annual purified water purchased and produced	4 512 708	5 673 762
Rand value of water losses at average price R10.14 (2022: R8.99)	24 336 791	28 002 780
Water loss percentage 53 % (2022: 45%)		

Amajuba District Municipality is mostly dominated with rural areas . Some of the rural areas have stand pipes and other areas do not have water infrastructure. The municipality utilises water tanker delivery services to collect water from the water treatment works and other designated water collection points to deliver water to areas that do not have water infrastructure.

Water provided to the rural areas is categorised as unbilled unmetered authorised consumption. Most of these rural areas have a huge impact on water losses due to the fact that consumption by each individual household remains unmetered and uncapped to a minimum basic service of 6kilo-litres for each household per month.